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Mr Soccer USA

Alan Rothenberg scores big in the World Cup

FINANCIAL TIMES

Europe's Business Newspaper MONDAY JULY 11 1994 D8523A

Israel on brink of showdown with illegal settlers

Israeli premier Yitzhak Rabin has sent hundreds of soldiers to the Kiryat Arba Jewish settlement and sealed off the West Bank, in what could be Israel's first armed showdown with extremist Jewish settlers. The move came on the eve of the permanent homecoming of Yassir Arafat, the Palestine Liberation Organisation chairman.

Several hundred Israeli troops were braced to forcibly evict radical settlers who broke into and illegally occupied three vacant government-built apartment houses near Kiryat Arba settlement. The action was in protest at Israeli peace moves and the killing of a Jewish teenager by a Palestinian. Page 16

VW wins $308m subsidy in Spain: Volkswagen, the German car group, has won Pta40bn ($308m) in state subsidies for Seat, its loss-making Barcelona subsidiary, after 10 weeks of bargaining with the Spanish government. Other companies are now likely to press for similar funding. Page 16

US tough line on Haiti: William Gray, US president Bill Clinton's adviser on Haiti, said resolution of the island's crisis had now become "a vital interest" to the peace and stability of the western hemisphere. He warned that the military dictatorship, from which 10,000 Haitians fled last week, would not be allowed to remain in power. Page 4

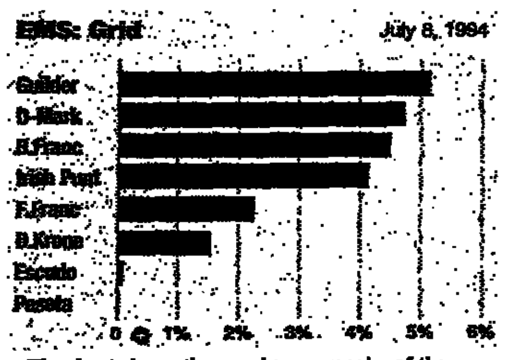
EC to encourage mobile telecoms: The European Commission is expected to show its determination to speed up the liberalisation of Europe's telecommunications industry by forcing through legislation that will let mobile telecoms operators build their own networks. Page 3

Matra may buy Bae space arm: British Aerospace and Matra Marconi Space are to hold a new round of negotiations in Paris this week over the possible sale of BAe's space systems division to the joint venture company between the French Lagardere technology and media group and the UK's General Electric Company. Page 19

Fokker to receive Fl 1bn: Fokker, the loss-making Dutch aircraft maker, is to receive around Fl1bn ($550m) from its majority shareholder, Deutsche Aerospace of Germany, and from the Dutch government. Page 19

UK gilts rise in fund managers' favour: UK fund managers are increasingly optimistic about UK gilts and equities and Japanese equities. They also view the recent weakness in bonds and equities as a good buying opportunity, rather than an ill omen, according to a survey of leading UK investment funds. Page 19

European Monetary System: Dollar weakness and D-Mark strength caused a shake-up at the top of the EMS grid last week. The Irish punt slipped from first to fourth place, the Dutch guilder rose from second to first, and the D-Mark climbed to second spot above the Belgian franc. The spread between the strongest and weakest currency, the peseta, remains near 5 per cent.
Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Close presidential race in Ukraine: A close race is predicted between the two candidates in the election for Ukraine's presidency – the incumbent, president Leonid Kravchuk, and a former prime minister, Leonid Kuchma. Preliminary returns showed voting was especially heavy in fiercely nationalist western Ukraine.
Page 3

Thousands flee in Rwanda: Hundreds of thousands of people are fleeing a rebel offensive in north-west Rwanda, creating a fresh humanitarian crisis outside the safe haven declared by French forces further south, aid workers said. France steps up plea for support, Page 4

Troops ordered out of Yemen: Yemen president Ali Abdullah Saleh ordered northern troops out of the captured city of Aden and offered better ties to neighbouring Saudi Arabia, which backed the defeated south in Yemen's war.

Alitalia strike today: Italy's transport minister Publio Fiori failed to avert an airline workers' strike that threatened to ground most Alitalia flights and cause delays at some airports. Page 3

Reformer ahead in Belarus: Self-styled corruption buster Alexander Lukashenko seemed headed for victory in his drive to become the first president of the former Soviet republic of Belarus. Page 3

Caracas reopens exchange: Limited foreign exchange transactions are expected to recommence in Venezuela today after suspension by government order for more than two weeks. Page 4

Luxembourg PM leads in race to succeed Delors

By Lionel Barber in Naples

The contest to succeed Mr Jacques Delors as president of the European Commission has narrowed to three candidates led by Mr Jacques Santer, the long-serving prime minister of Luxembourg.

Mr Santer, who has solid German support, has emerged as a potential compromise after informal contacts between the leaders of France, Germany, Italy and the UK at the weekend summit of the Group of Seven industrialised nations in Naples. Senior European diplomats in Naples said it was possible that an agreement among the Twelve could be reached in the next few days, to be ratified at the special summit in Brussels on Friday called by the German presidency of the EU.

However, Mr Santer's success is by no means assured. He still faces challenges from Mr Poul Schlüter, an experienced former Christian Democrat prime minister from Denmark, and Mr Giuliano Amato, the former Socialist prime minister of Italy who steered his country through its recent political upheaval.

France also has misgivings about the Union's caving in prematurely to the British veto of Mr Jean-Luc Dehaene, the Belgian prime minister promoted by Paris and Bonn. France is resentful that Mr John Major, UK prime minister, has reaped a domestic political victory over his lone opposition to Mr Dehaene at last month's European summit in Corfu.

But Mr Kohl appears determined to strike a deal in time for the Commission president-designate to appear on schedule before the new European Parliament at its inaugural session on July 19 in Strasbourg.

"The chancellor does not want a crisis with the Parliament," said one senior EU diplomat. Further delay would disrupt the German presidency of the EU.

Mr Santer is a dark horse who has emerged after better known candidates such as Mr Dehaene, Mr Ruud Lubbers, the Dutch prime minister, and Mr Felipe González of Spain have either been blocked or taken themselves out of the running.

His appeal lies in his Christian Democrat party background and his small-state credentials, both important factors after the 10-year reign of Mr Delors, a French socialist. He is also a Francophone, a vital concern to Paris.

Mr Santer's strongest card seems to be that he seems unlikely to offend anyone, although the Danes are unhappy that the Commission presidency may fall to Luxembourg for the second time in 14 years. Mr Gaston Thorn, a former Luxembourg prime minister, preceded Mr Delors in 1981-85.

A senior Commission official warned yesterday that a deadlock between Mr Santer and Mr Schlüter might force France and Germany to reconsider Mr Lubbers or Viscount Etienne Davignon, the former EU industry commissioner. Both Mr Lubbers and Mr Davignon are viewed as representing a strong Commission.

Germany's agenda, Page 16

Summit issues upbeat message on prospects for growth

G7 leaders welcome Russia as full partner

By Peter Norman and Robert Graham in Naples

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The Group of Seven leading industrial democracies yesterday drew a line under the cold war era, embracing Russian president Boris Yeltsin as an equal partner in their annual review of international relations.

The leaders of the US, Japan, Germany, France, Britain, Italy and Canada, together with the president of the European Commission also sent a message of heightened optimism that their countries are back on a path of sustained, low inflationary growth. In spite of recent financial market turbulence over a weakening dollar, the Group of Seven abstained from commenting or offering the US currency overt support.

However, using carefully co-ordinated speaking notes, G7 finance ministers stressed their belief that the dollar's fall was not warranted by economic fundamentals.

Mr Yeltsin's full participation at yesterday's "political G8" meeting and his agreement to a joint statement covering international flash points was hailed by fellow leaders as the summit's real achievement. Mr Yeltsin himself said that the recognition of Russia as a democratic state was the most important aspect of the summit for him.

On Bosnia, the most delicate issue for the G8, Mr Yeltsin joined in warning the warring factions to agree to the latest peace plan by July 19. According to his G7 partners, Mr Yeltsin accepted that Russia would exert maximum pressure on the Serbs, its traditional allies.

But the Russian president fiercely defended his country's sovereign interests in what has been described as the world's most exclusive club.

Speaking after the conference and bilateral talks with US President Bill Clinton, Mr Yeltsin called for the lifting of restrictions against Russian exports. "I threw off the red cloak a good three years ago," he said, reminding his audience that Russia should no longer be treated as a communist state.

Symbolising the new relationship with the industrialised nations, this year's summit was notable for the absence of any demand for economic hand-outs from the West. Instead, Mr Yeltsin persuaded the G7 that sharply lower inflation and greatly reduced budget deficits showed the Russian economy

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Mass mourning: The people of Pyongyang gather before a statue of Kim Il-sung to pay last respects to the dictator who died on Friday Reuter

Kim Jong-il poised to replace father

By John Burton in Seoul

Mr Kim Jong-il appeared ready to take control of North Korea yesterday after the death of his father, Kim Il-sung, as Radio Pyongyang urged the country's citizens to support the son as leader.

North Korean television aired scenes of thousands of weeping citizens bowing before the numerous statues of Mr Kim Il-sung erected around the country as part of the personality cult that was at the centre of his 46 years of rule.

The death of Mr Kim has led to the suspension of negotiations between the US and North Korea, which has also postponed a summit with the South Korean leadership designed to ease tension on the Korean peninsula.

Western leaders were quick to send conciliatory signals to North Korea.

In Naples for the Group of Seven summit, US President Bill Clinton said he had conveyed to Pyongyang his "deep appreciation" of the role the late leader had played in resuming a dialogue between the US and North Korea. He emphasised his desire to avoid the "isolation and misunderstanding" of the past between the two countries.

The US and its allies also made clear, however, that they would continue to press North Korea over its suspected nuclear weapons programme.

South Korean officials predicted that Mr Kim Jong-il would succeed his father in the powerful position of general secretary of the ruling Korean Workers' party, which controls the government and military. But he may allow an elderly official to assume the figurehead position of president.

Mr Kim, 52, believed to represent a younger generation of technocrats, needs to forge a political alliance with the conservative leaders of his father's generation to ensure his control.

He lacks the revolutionary credentials of his father, and while already commander-in-chief of the North Korean armed forces, he is believed to have failed to achieve complete control of the military.

The KWP and the North Korean parliament are expected to hold emergency sessions in Pyongyang as early as today to elect a general secretary and president. Preparations continued for the funeral next Sunday of the late president, whose death was announced at noon on

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IBM plunges in year to foot of brand name value league

By Diane Summers, Marketing Correspondent, in London

IBM has plunged in one year from the third most valuable brand name in the world to the bottom of a league table of 290 brands, according to an annual survey that attempts the controversial task of evaluating "what's in a name".

Coca-Cola is ranked number one in the league table, with a brand name worth nearly $36bn, followed by Marlboro ($33bn), Nescafé ($12bn), Kodak ($10bn), and Microsoft ($10bn).

The survey, to be published by US magazine Financial World on August 2, uses a complex formula to arrive at its rankings. After breaking down company earnings by brand, it then subtracts what it calculates would be earned on a basic, unbranded version of the product.

To that figure it applies a "brand strength" multiple based on factors such as market position, degree of internationalisation and trends in the sector.

Using the formula – which was originally developed by Interbrand, the UK-based brand consultancy – the value of the Compaq name climbed 149 per cent in 1993 to a value of $4bn and a league table position of 21, compared with a position of 65 in 1992.

Meanwhile, IBM's name now has a negative value, says Financial World. That means that plant and equipment expenses and taxes wiped out any brand earnings.

Other brands falling into this "negative worth" category include: Del Monte, Siemens, Corning, Krups, Moulinex, Michelin and Pirelli. The magazine says: "A competing generic product could have generated higher profits on the same level of sales."

Evaluating brands, and attempts to capitalise them as intangible assets on balance sheets, is a controversial area. Last week Sir Michael Perry, chairman of Unilever, the Anglo-Dutch consumer products group, criticised "fancy brand accounting" in a speech in London to the Advertising Association.

"The seemingly miraculous conjuring up of intangible asset values, as if from nowhere, only serves to reinforce the view of the consumer sceptics, that brands are just about high prices and consumer exploitation. At Unilever we have consistently rejected this approach," he said.

Financial World points to IBM's failure to switch into personal computers, "and as PCs became more and more of a commodity, they began selling more and more on price". But it adds: "The fact that PCs are still referred to as 'IBM-compatible' is something IBM can capitalise on."

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft186	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

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Smiles all round in readiness for a scrap next year

Peter Norman reports on harmony in Naples as G7 leaders agree to look at what world institutions are needed

It was a case of smiles all round at this year's double decker summit in Naples of the Group of Seven and the "political G8," comprising the G7 plus Russia.

The marked improvement of the industrial world's economy, the completion of the Uruguay Round of trade liberalisation talks earlier this year and the absence of any truly bruising rows made for a harmonious, if rather bland, gathering.

Next year could be different. When they meet in Halifax, Nova Scotia, the leaders of the US, Japan, Germany, France, Britain, Italy and Canada will begin reviewing the institutions of global co-operation with the intention of making them more suitable for the post cold-war world. *Taken to its logical conclusion, this* could mean big changes for some of the *smaller members of the G7 club.*

The world has been transformed since *the first economic summit in 1975.* Communism has collapsed and the countries of east Asia have emerged as an economically potent force. Globalisation has greatly increased the interdependence of industrialised and industrialising countries alike. Mr John Major, UK prime minister, said yesterday that the international situation was changing at "bewildering speed".

And yet, as President Bill Clinton pointed out on Saturday, the links among countries are governed and regulated largely by institutions "that we settled on at the end of World War Two".

With this in mind, the G7 agreed in its communiqué that next year's summit will ask what institutions will be required to meet the challenges of the 21st century. "That is a commitment to discuss in Halifax *what we want the world to look like 20* years from now," President Clinton said.

*The review will encompass those institu*tions which were set up to foster co-operation in the post-war world, such as the International Monetary Fund and World Bank, which are celebrating their 50th anniversary this year, and Nato. It will see how these fit in with newer initiatives such as the European Union, the World Trade Organisation, and the Partnership for Peace.

Inevitably, the nature and role of the G7 will be discussed. Although conventionally described as the group of the world's "leading industrial nations" it imperfectly reflects the global economy. It is heavily Eurocentric, excludes the Hispanic nations (even though Spain can claim to have a bigger economy than Canada) and barely represents Asia.

The Group's attempts, in recent years, to co-ordinate economic policy closely *have as often ended in* failure as success. This was the case when *attempts to hold exchange rates steady* after the Louvre Accord in 1987 proved *detrimental to the overall goal of steady,* non-inflationary growth.

On the other hand, the G7 heads of government clearly gain some benefit from the meetings. President François Mitterrand of France, who at times in the past has been scathing of G7 summitry, said they got through a "wealth of work in extremely fruitful discussions" at the weekend.

The G7 enhances the networking capacity of its members in other groupings. The US, France and Britain are members of the UN Security Council. All except Japan are in Nato. It contains four European Union members; two signatories of the North American Free Trade Agreement (Nafta) and, with Japan, is represented by three countries in the Asia Pacific Economic Co-operation forum. The G7 is especially *valued by Japan, which is not* represented in Nato, Nafta, the EU or the UN Security Council.

The leaders were enthusiastic about the *greater informality* of the weekend summit and plan an even less scripted approach next year. Mr Major spoke of a "sea change" in the way the summits are conducted.

They also agreed to carry forward to Halifax this year's format of following the G7 economic gathering with a political G8 in which Russia is a full, equal ranking partner. According to Chancellor Helmut Kohl of Germany, this recognition of Russia's contribution to global politics was the most important aspect of this year's summit.

For President Boris Yeltsin, the highlight was recognition of Russia *as a* partner and democratic state. If the presence of Russia *at yesterday's meeting* is any guide, the G7 can claim to have exercised a positive influence in helping the former communist countries along the *difficult road* to market-based economies.

But two big doubts remain. The group is at its most effective when dealing with short-term crises. It is unclear how far seven such different states can reconcile national interests and achieve Mr Clinton's goal of *setting* the agenda for 20 years hence.

Looking ahead *to 2014, it* is uncertain whether the present G7 membership can be justified. Although Russian President Boris Yeltsin yesterday made clear that Russia was not *hurrying to join the* economic G7, because of its current difficulties, *Russia's long-term ambition is to join* the group. Four EU nations in its ranks *will look even more imbalanced then.* There is the also question of Chinese par*ticipation if Beijing ever moves to plural*ism and democracy.

Although Chancellor Kohl yesterday went out of his way to praise the "better climate of co-operation", such questions will be lurking in the background when the leaders meet in Halifax.

As the questions involve pecking order and prestige, they could make for much more vexing discussions than in Naples this year.

Clinton drops trade talks plan

By George Graham and *Peter Norman in Naples*

President Bill Clinton has been forced to abandon his plan to *bulldoze a new round of multi*lateral trade talks on to the *international policy agenda.*

The US backed off, this *weekend, from proposals for a* new round of talks on remov*ing* trade barriers in areas such as financial services, telecommunications and investment rules, under pressure from other Group of Seven members. But Mr Clinton won a commitment from the Naples summit to "continue the momentum of trade liberalisation".

Mr Clinton floated his proposals in a letter to his colleagues just ten days ago, but ran into strong opposition from President François Mitterrand of France.

Mr Mitterrand warned the prospect of a new round of trade negotiations could jeopardise the chances of persuading the French parliament to ratify the free trade measures just concluded in the Uruguay Round of the General Agreement on Tariffs and Trade.

Mr Jacques Delors, the European Commission president, said the initiative could also *raise problems* for other European countries, as well as for *developing nations such as* India and Morocco.

But the G7 leaders said the drive for freer trade could not *stop with ratification of the* Uruguay Round agreement. They agreed the trade issues left unresolved by the Uruguay Round should be taken up at a meeting this autumn of the "Quad" trade ministers – a grouping of the US, Japan, Canada and the EU which overlaps with the G7 – and reviewed at next year's summit in Halifax, Nova Scotia.

In fact, the country where ratification appears most in danger is the US, and Mr Clinton's initiative, dubbed "Open Markets 2000", appeared designed to win over some wavering centrist members of Congress who worry the Uruguay Round agreements do not go far enough to liberalise trade in crucial areas such as telecommunications.

Canadian and German officials indicated that the problem with Mr Clinton's initiative was not so much its substance, which all countries approved, as its last minute presentation.

Dollar statement fails to convince

By George Graham in Naples

Finance ministers of the **Group of Seven leading indus*trial nations repeated their*** **belief in the need for a stronger dollar, but failed to dispel concern that they still disagree on what to do about the weakness of the US currency.**

The finance ministers, using words negotiated in advance, said they "agreed that the underlying fundamentals are sound, and that the conditions for an enduring recovery with low inflation are now in place in each of our countries".

They expressed concern, nevertheless, over foreign exchange volatility, and "agreed recent movements in exchange rates are not in line with the basic conditions prevailing in our economies".

The US resisted efforts by some G7 states to incorporate the statement in the formal communiqué issued by heads of government. US officials said they wanted to keep the communiqué for longer term issues, and appeared determined to treat the dollar's weakness as a short-term manifestation of foreign exchange markets' irrationality.

"I've quit trying to anticipate what's going to happen insofar as the currency markets are concerned," Mr Lloyd Bentsen, US Treasury secretary, said yesterday. The currency markets, however, have not quit trying to anticipate what is going to happen when Mr Bentsen and President Bill *Clinton talk about the dollar.*

For weeks, the US administration has tried to enforce a strict blackout on exchange *rate comments by anyone but* the laconic Mr Bentsen. In the *days before the G7 meeting* that blackout broke down.

The biggest breach came at the summit itself, when Mr Clinton in effect ruled out either intervention or changes in macroeconomic policy to combat the dollar's weakness.

"If we continue to pursue growth without inflation and to work on generating new jobs out of that growth, then eventually the macroeconomic realities will assert themselves and the currencies will be righted," Mr Clinton said.

US officials assured reporters there had been no intention of presenting a different policy on the dollar. Mr Bentsen, apparently anxious to *counter the impression the US* had abandoned thought of intervention, hastened to reopen the possibility.

Boris Yeltsin (right) and Bill Clinton come to an understanding with the help of their hands and two interpreters *Associated Press*

Pressure stepped up over Bosnia

By Kevin Brown and Bruce Clark in Naples

The foreign ministers of Britain and France will head to former Yugoslavia tomorrow with a mission to put "massive pressure" on the warring parties in Bosnia to accept the current peace proposals or face dire consequences.

Mr Douglas Hurd, the UK foreign secretary, and his French counterpart, Mr Alain Juppé, will be carrying a message from the Naples summit that the warring sides must accept the peace plan by the deadline of July 19.

"If the opportunity is not seized, there is a grave risk of a renewal of war on a larger scale," Mr Silvio Berlusconi, the Italian prime minister and summit host, said yesterday on behalf of the eight world leaders who gathered in Naples.

Mr John Major, UK prime minister, warned: "The consequences of not reaching a settlement will be very serious."

There was general agreement at the summit that particularly strong pressure must be put on the Bosnian Serbs, who have kept an open position on the peace proposals while their adversaries in the Moslem-Croat coalition have sent more positive signals.

Western diplomats said the need to put pressure on the Serbs was implicitly acknowledged by President Boris Yeltsin despite Russia's traditional sympathy with the Serbs.

Under the peace initiative in Geneva last week, the warring parties can expect intensification of international sanctions if they fail to comply with the plan, and generous economic aid if they fall into line. As Germany's Chancellor Helmut Kohl said yesterday: "There will be no help for anybody who resists."

British officials said there was a danger that the Serbs would formally agree to the plan while failing to comply in practice. They would be told that only full compliance would earn them relief from economic sanctions.

Mr Hurd and Mr Juppé, travelling with the blessing of the leaders who met in Naples but not as their formal emissaries, will have a blunt message for the Serbs. They will say that if the Serbs fail to adhere to the plan there will be no chance of stopping the US and perhaps others from ending the arms embargo against the Bosnian government.

In the mayhem that could ensue, the UN peacekeeping force, in which Britain and France play a leading role, would have to be withdrawn. "Things are not too bad now, but the present situation is unstable and it will start to slide back downhill quite fast if the plan fails," a British official said.

Plan to create more jobs endorsed

By Kevin Brown in Naples

The Naples summit endorsed a seven-point plan to deal with the "unacceptable waste" of unemployment, which stands at 24m in the G7 countries and 35m throughout nations of the Organisation for Economic Co-operation and Development.

Mr Silvio Berlusconi, Italian prime minister and summit chairman, said economic recovery was already creating jobs and putting the unemployed back to work in "more and more" of the G7 countries.

Mr Berlusconi said the jobs plan would build on the conclusions of the OECD Jobs Study published last month, which recommended a broadly deregulatory path to accelerate employment creation.

The seven-point plan drawn up by the leaders calls for:

- Improved skills through better education and training;
- Reduced labour rigidities through lower indirect employment costs and fewer regulations;
- Active labour market policies to enhance incentives for the unemployed to seek work;
- Assistance to promote innovation and the spread of new technology, including an integrated infrastructure for global communications;
- Job creation in the leisure and environmental protection industries, which are regarded as potential high-growth areas;
- Increased competition through elimination of unnecessary regulations;
- *Programmes to enrol* employers and trade unions in the search for new jobs.

Officials conceded that the *programme adds little to the* conclusions of the OECD *report and the Detroit summit* on jobs, called by President Clinton, which preceded it.

There was no binding agree*ment on how to implement* the plan, leaving G7 countries free to decide how to apply it to such contentious issues as minimum wage legislation and social security programmes.

However, the agreement was hailed as a break-through by Mr John Major, the British prime minister, who set out to make job creation one of the main themes of the summit.

Mr Major said the impact of the plan would be to commit the G7 governments to the principles of deregulation and labour market reforms to create lasting jobs. "That was a very novel idea two years ago when it was produced primarily, though not exclusively, by *the British," he said.*

Mr Major said the growing pace of economic recovery and the G7 leaders' commitment to *consider further trade liberalis*ation measures next year would help to raise growth rates and create more jobs.

Major achieves most objectives

By Kevin Brown, Political Correspondent, in Naples

Mr John Major, the British prime minister, left Naples yesterday buoyed by summit successes on jobs, institutional reform and debt restructuring *but regretting the G7 leaders'* timidity on trade liberalisation.

No one in the British camp was describing Mr Major's performance as a triumph. But officials said he had achieved most of his summit objectives.

Mr Major will tell MPs today the summit refused to accept the US agenda for broad trade liberalisation in spite of strong British support for "further and faster" progress towards free trade in areas such as services.

But he will also have several successes to report:

- The summit agreed to British proposals for a reduction in *the stock of debt owed by* developing countries to the Paris Club of creditor *nations.* The agreement provides for debt write-offs of 66 per cent for most debtor countries and up to 80 for the worst hit.
- The leaders adopted a broadly deregulatory *plan for* job creation which reflects *many of the British* government's concerns about overregulation *and inflexible* labour markets.
- *President Yeltsin's presence* at the political session yesterday *followed strong British* pressure for greater Russian participation in the summit. Mr Major said he raised the issue at last year's G7 summit in Tokyo and discussed it with President Yeltsin during his February visit to Moscow.
- The summit called on Iran to stop supporting terrorist movements after British appeals for action to stop the flow of funds from Tehran to the Provisional IRA.
- Talks in the margins of the conference made progress towards identifying an acceptable candidate for successor to Mr Jacques Delors as European *Commission president.* Mr Major discussed the issue with Chancellor Helmut Kohl, current EU Council president.

Yeltsin to discuss Estonia pullout

By George Graham, Bruce Clark and Dmitry Volkov in Naples

President Boris Yeltsin of Russia yesterday agreed to meet President Lennart Meri of Estonia in an effort to solve their dispute over the withdrawal of Russian troops from Estonian soil.

But Mr Yeltsin said flatly, after talks with US President Bill Clinton following his meeting with the Group of Seven leaders in Naples, that Russian *troops would not be out of* Estonia by the deadline of August 31 *that Russia itself* had set.

This rebuff drew a grimace from Mr Clinton but was only one of a series of spirited but cordial disagreements between the two presidents at a joint press conference after their meeting.

The presence of Russian troops in the Baltic republics nearly three years after they broke free of the Soviet Union is one of the most contentious issues between the US and Russia and is seen in the Baltics as a critical signal of whether Russia has turned its *back on its Soviet imperial* past.

Mr Clinton, who met Mr Meri last week, said he believed agreement on a withdrawal by August 31 could be reached.

Mr Yeltsin criticised the Estonian government for "very crude violations of human rights toward the Russian population, and especially military pensioners".

Mr Yeltsin, relishing his new status as a full participant in the political discussions of the Group, also attacked the US for discriminating against Russian exports and urged it to follow the example of the European Union, which has agreed to lift its trade barriers.

Mr Yeltsin and Mr Clinton set a goal of agreeing on a successor organisation to Cocom, the organisation that used to regulate miltarily sensitive exports to the Soviet bloc, by the time they meet in their next summit in Washington on September 27-28.

US officials welcomed Mr Yeltsin's promise to try to limit Russian exports to terrorist countries, which has been one of the issues blocking agreement on the Cocom successor.

The US has offered $2m to help clean up a nuclear facility in Estonia, and will also provide vouchers worth $25,000 apiece *to help Russian officers* find housing.

Ukraine offered funds to close Chernobyl nuclear plant

By Peter Norman and George Graham in Naples

Eight years after the nuclear power plant explosion in Cher*nobyl disrupted a G7 summit* in Tokyo, the world's leading industrial nations agreed to offer Ukraine an action plan that would close the plant.

The G7 leaders from the US, Japan, Germany, France, Britain, Italy and Canada, together with the president of the European *Commission,* agreed to provide up to $200m *(£129m) in grants as an initial* payment to shut down Chernobyl. *The funding would be* additional to the Ecu500m (£390m) in grants and loans offered by the European Union after its summit in Corfu last month to help close dangerous plants and complete replacement capacity.

Provision of the funds will be conditional on action by Ukraine. The country, which *yesterday* held a second-round run-off poll in a presidential election, *would be expected to* shut Chernobyl as "an urgent priority".

Ukraine would also have to agree to early completion of three new reactors with adequate safety standards, comprehensive energy reforms including higher prices, increased energy conservation and use of other energy sources. It is expected that talks between G7 representa*tives and Ukraine will begin* soon after the Ukraine election *results are clear.*

The G7 meeting was notable for the concern expressed about the Ukraine economy. The leaders urged Ukraine to embark on genuine economic reforms, promising up to $4bn in finance from the International Monetary fund and other institutions over two years in return.

The weekend nuclear safety offer was a hard-won victory *for Mr Helmut Kohl, the Ger*man chancellor. Together with Mr François Mitterrand, the French president, he urged other G7 members to act and solve the problem of Ukraine's dangerous Soviet-designed nuclear power plants.

Some G7 nations, such as Japan and Britain, were reluctant to provide large-scale *funding. After an all-night* working session that began on *Friday, the sherpas, senior offi*cials who prepare the summit, agreed on a sum of only $100m. This was raised to "up to $200m" when the leaders discussed the matter on Saturday, with Germany promising to provide DM50m, or about 17 per cent of the total.

The G7 pledges, together with $115m in grants promised by the EU in Corfu, should provide about $300m to close down *Chernobyl – the amount* experts say is necessary for the *first stage of the operation. It* is estimated Ukraine needs $1.5bn *to deal with its nuclear* safety problem entirely.

Delegates presented with a feast of puns and pasta

If the summit was *all* about increasing personal ties, Silvio Berlusconi chose to pun himself into history by presenting each of his male guests with a special *G7* tie.

Naples has several famous handcrafted tie-makers and Mr Berlusconi with attention to detail as host reportedly chose the design. Each one was made to measure. To ensure a tie suited *Helmut Kohl, the bulky* West German Chancellor, Mr Berlusconi decided on an extra 30cm of material.

The wives meanwhile were showered by local craftsmen with every gift imaginable. *The* hangers-on were not forgotten either, with a special packet of G7 pasta from a local company whose courtesy card boasted of its "*quality assurance* and gut standing [sic] characteristics".

□ *The prize for the best intentioned* pun must go to Antonio Bassolino, *left wing mayor of Naples who with* justifiable pride has been showing *off the marvels of his city to the* summit leaders and their wives. After meeting Britain's John *Major,* he remarked they had something in common: A Neapolitan pronunciation of the premier's surname came up with a sound like "Mayor".

□ The proprietor of the Di Matteo pizzeria who managed to interest Bill Clinton in a pizza on the US *president's walkabout in the historic* centre, confessed yesterday to a *certain puzzlement* about *Mr Clinton's* gourmandise. "He wanted a pizza *Margherita* topped with *onions,* salami and fried potatoes... a little strange." This concoction didn't seem to prevent Mr Clinton from his habitual early morning jogging, a rite performed along the Naples seafront.

□ This has been the summit where the wives have gone their own way. Hilary Rodham Clinton passed over "*Swan Lake*" *at the San Carlo* opera house in the company of Veronica *Lario, Mr Berlusconi's wife.* She chose instead to visit Ravello and its *most illustrious* resident Gore Vidal, the American writer who has a villa there with spectacular views over the Amalfi coast. Like Jacqueline Kennedy before her, who also visited Vidal there, she was made an honorary citizen of Ravello.

□ Health has been on the minds of everyone after the gastric complaint that felled Japanese premier Tomiichi Murayama. French president François Mitterrand looked clearly wan from the suffocating heat; and on Saturday evening after he had braved the 116 steps of the ceremonial staircase at the Caserta Palace for a gala dinner he looked extremely frail.

The exceptional heatwave took its toll on many of the delegates in the form of dehydration: and the 2,700 journalists were for once at the trough only for water and soft drinks.

By the end of the summit, the girls distributing free Coca Cola had bandages on their fingers, raw from opening so many cans.

Robert Graham

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Kravchuk tries to show Kuchma as Moscow's man

Heavy nationalist vote favours Ukraine president

By Chrystia Freeland and Jill Barshay in Kiev

Ukrainians trudged to the polls amid heavy fog and rain yesterday in large enough numbers to elect a new president.

A close race is predicted between the two candidates in the run-off for the presidency: the incumbent, President Leonid Kravchuk, and a former prime minister, Mr Leonid Kuchma. Results are not expected to be known until late today.

Preliminary returns showed that voting was particularly heavy in fiercely nationalist western Ukraine, but turnout was lower in the Russian-leaning eastern regions. This trend could give an edge to Mr Kravchuk, who won clear backing from nationalist constituencies throughout the country in the first round of voting last month.

As in neighbouring Belarus, where presidential run-offs were also held yesterday, Ukraine's presidential debate centred on national independence and links with Russia, which still exerts a powerful influence over all the former Soviet republics.

Mr Kravchuk has sought to shift the campaign away from his disastrous economic record and positioned himself as the sole guarantor of independence, while portraying his opponent, Mr Kuchma, as Russia's henchman because of his wish for closer ties with Moscow.

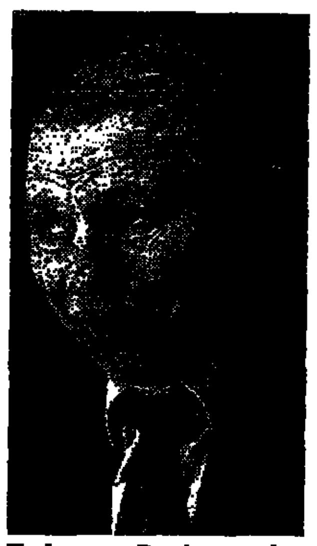
Fighting for his seat on national issues could win Mr Kravchuk a second mandate, a remarkable achievement for a leader whose reign has been marked by deep industrial decline and hyperinflation. However, Mr Kravchuk's strategy has opened a Pandora's box of potential national discord between western and central Ukraine, which are backing the president, and Russian-speaking eastern Ukraine, where Mr Kuchma's pro-Russian agenda is highly popular.

Mr Kuchma's team and Ukrainian insiders claim that Mr Kravchuk could benefit from vote-rigging by local bureaucrats, who remain beholden to the president. Western officials admit that there have been minor procedural violations and that Mr Kravchuk has enjoyed the advantages of incumbency, but they are generally convinced the elections have been free and fair.

In contrast with the presidential race, which has offered Ukrainians an often agonising choice "between two evils", many of the mayoral and gubernatorial elections also held yesterday throughout the country are promising real change.

For example, Kiev's mayoral contest is pitting a democratic market reformer against a presidential appointee, albeit a progressive one.

Kravchuk: disastrous record



Kuchma: pro-Russian agenda

Reformer hopeful in Belarus poll

Self-styled corruption buster Alexander Lukashenko seemed headed for victory yesterday in his drive to become the first president of the former Soviet republic of Belarus, Reuter reports from Minsk.

The central election commission said that by 3pm local time 52 per cent of more than 7m voters in the conservative republic had cast their ballots, clearing the required 50 per cent barrier. Polling was to end at 10pm.

Mr Lukashenko, favourite after the first round, had won popularity with promises to halt inflation and clean up the state apparatus, which he says is corrupt from top to bottom.

"My first move will be to fight corruption, first of all at the top. My list of corrupt government officials is growing and only two members of the government leadership will be able to stay in their posts," he said after casting his vote in Shklov, 200km north-east of the capital, Minsk.

"I am voting for myself. For the first time a simple man has a chance to vote freely for a man just like himself," he said.

Mr Lukashenko, 39, a populist with no experience of state administration, got a surprising 45 per cent of the vote in the first round of voting in June against 17 per cent for Mr Vyacheslav Kebich, prime minister. In yesterday's run-off round, the winner had to get 50 per cent plus one vote.

Mr Lukashenko has yet to announce a coherent economic programme or to name his candidate for prime minister.

"It's no problem to find a prime minister, it's easier than finding a milkman," he told reporters.

Until now, the nominal head of state has been the chairman of parliament.

Alitalia strike for today

Mr Publio Fiori, Italy's transport minister, failed yesterday in an attempt to avert an airline workers' strike that threatened to ground most Alitalia flights and cause delays at some airports, AP reports from Rome.

The 24-hour strike scheduled for today affects all international and domestic flights from Rome and Naples, where the Group of Seven summit finished yesterday. It could hamper the departure of some delegations and journalists.

But state-run Alitalia said it would guarantee a minimum number of flights, including important routes to New York, Bangkok and most European cities.

Mr Fiori also requested that Alitalia improve basic passenger services, such as flight information and medical care for travellers, to help ease the inconveniences caused by the strikes.

In a meeting called by Mr Fiori yesterday, union officials representing flight personnel and ground crews failed to come to terms with Italy's national carrier on job cuts.

Unions are protesting at Alitalia's cost-saving plan to shed 4,000 jobs and rewrite work contracts.

Last week, a two-day strike by flight crews forced Alitalia to cancel half its flights. A planned walkout by air traffic controllers was delayed until later this month.

Alitalia, which employs 21,000 people, reported losses of L343bn (£140m) last year.

Li toasts long-lasting love in Romanian vineyard

China's hardline Premier Li Peng celebrated his 36th wedding anniversary in a Romanian vineyard yesterday and let slip rare remarks on his personal life as he tasted wines with his wife. Reuter reports from Murfatlar, Romania.

"My wife and I are very happy, just like the day we married 36 years ago, maybe happier," Mr Li said.

"A family is happy when both husband and wife help each other. But a husband especially must obey his wife's orders."

Mr Li made the remarks as he sampled wine at the renowned Murfatlar vineyards, where he dropped in for a tasting session during a weekend rest on Romania's Black Sea coast.

He arrived on Saturday for a four-day trip, the highest-level visit to Romania by a Chinese leader in 10 years.

Mr Li and his wife Zhu Lin took their hosts in Murfatlar by surprise when they said Sunday was their anniversary.

"My wife agrees we are a happy family," Li said, gently pressing his hand on Zhu's arm as she sat next to him at a long wooden tasting table in the Murfatlar cellars.

To mark the anniversary, the two sipped wine from each other's glass, to the applause of 100 accompanying Chinese and Romanian officials and businessmen.

Mr Li's affable banter contrasted with the image he earned over the bloody crushing of demonstrations in Beijing in 1989, for which he is widely blamed. Earlier legs of his European tour, in Austria and Germany, were dogged by human rights protests.

Today, Mr Li flies to the capital Bucharest to meet President Ion Iliescu, once his classmate at a communist cadre school in Moscow. The two leaders are to sign a joint political declaration and a set of economic and cultural agreements.

Brussels set to encourage mobile telecoms networks

By Emma Tucker in Brussels

The European Commission is expected to show its determination to speed up the liberalisation of Europe's telecommunications industry by forcing through legislation that will let mobile telecoms operators build their own networks.

Buoyed by the support for plans for deregulating Europe's telecommunications networks at the Corfu summit last month, the commission intends to use special powers to ensure that the liberalising of mobile telecoms infrastructures is not delayed. The move is bound to upset some of Europe's most entrenched telephone monopolies.

Article 90 of the Treaty of Rome allows the commission to impose liberalisation on intransigent member states without a vote at the Council of Ministers. It is rarely used as it is criticised for being undemocratic, but has been used relatively frequently in telecommunications.

Few are surprised at the commission's intention to adopt article 90 to impose the mobile telecoms green paper. Momentum for liberalisation has been gathering pace not just in Brussels but among the member states too, who recognise that a competitive network is crucial for European competitiveness.

Liberalisation of mobile infrastructures would give mobile operators greater flexibility, and enable them to avoid interconnection payments to Europe's fixed network operators. Experts at the commission believe this could cut the cost of long distance mobile calls by as much as 50 per cent.

But many of the big public telephone companies in countries such as Portugal, Germany, and Spain fear a loss of revenue, and are pressing for delays in infrastructure liberalisation in this sector until the commission introduces plans for the deregulation of all infrastructures later this year. They argue that they need the revenue from mobile interconnection fees to keep up their commitment to a universal telephone service.

Recent consultations in Brussels on the mobile telecommunications green paper attracted opposition from the public operators in Italy, Spain, Portugal, Greece and Belgium over the pace of liberalisation.

But the commission believes it is now in a strong position to push ahead, backed by the welcome given by member states to the recommendations of the Bangemann group of industry leaders, which called for speedy liberalisation of EU telecoms infrastructures and services.

Father of the Russian Motor Industry: A Zil outside 10 Downing Street in London

Trevor Humphries

Zil drives back from brink

State and free market come to carmaker's aid, reports John Lloyd

Zil, Russia's best known and most prestigious car-maker, is being saved from bankruptcy by a unique mixture of state support and free market principles. The restructuring envisages cost-cutting, diversification and international co-operation.

The saving of the company, the "father of the Russian motor industry", is akin to the government bail-out of Chrysler in the US in the 1980s or the nationalisation of Rolls Royce in Britain in the 1960s. It shows a government determined to preserve its engineering heartlands – at heavy cost to the budget and even to the extent of changing policy by raising tariffs on foreign imports to protect its market.

However, it also shows that the company has entered into agreements with foreign partners and is cutting the workforce, particularly among administrators. It has shed a conservative top management and is trying to create a new, young management team. It is even trying to attract Mr Lee Iacocca, former head of Chrysler, or another senior retired car executive, to come to Russia to advise the new management on how to rescue a sinking company – as Mr Iacocca did with Chrysler.

Zil, which makes trucks and buses, limousines, refrigerators and other white goods and engineering products, had virtually collapsed earlier this year under a massive load of debts, as its state orders for its vehicles fell to a fraction of their former volume. It currently produces 15 to 20 limousines a year and under 100,000 lorries, from 300,000 at full capacity. Its 120,000 workforce began to desert as pay fell or was not delivered. Management efforts to pressure the government with demonstrations produced no response.

In May, the shareholders – among which the most powerful are Moscow City Council and two big financial groups – elected a new president of the board in Mr Alexander Vladislyavlev, deputy head of the Russian Industrialists Union and a prominent centrist political figure. The board last month appointed a new chief director, Mr Valery Saikin, who replaced Mr Yevgenny Brakov, demoted to vice president in charge of forming a new finance group. Mr Brakov had been best known for running as the official Communist party candidate against Mr Boris Yeltsin for a seat in the old Supreme Soviet in 1990.

In an interview with the Financial Times, Mr Vladislyavlev said Zil was seeking, or had reached, joint venture agreements with the US companies Caterpillar, Paccar, General Motors and the French group Renault for the production of trucks, buses and engines.

The government had placed orders for 24 new Zil limousines a year from now on and promised Rbs26bn and $35m for research and development of the upgraded model.

The company is pressing the government to erect high tariff walls to protect its products – and with them, other products of the Russian automotive industry.

Mr Vladislyavlev, who said he was confident that the government would agree, said: "We must close the market to protect its development - but within that market, we want foreign companies to operate and to sell the products they make with us."

The company overall is being radically restructured into a holding company with separate product groups, in some of which the holding company may have only a minority share.

In the longer term, Mr Vladislyavlev says it will offer some 10 per cent of its shares to foreign investors, at a price set at $60m.

US takes tough line on Haiti

By Nancy Dunne in Washington

Mr William Gray, President Bill Clinton's adviser on Haiti, yesterday said resolution of the republic's crisis had now become "a vital interest" to the peace and stability of the western hemisphere.

In an interview on ABC, Mr Gray gave a firm warning that the military dictatorship – from which 10,000 Haitians fled last week – would not be allowed to remain in power.

To allow the return of a dictatorship in the 1990s "sends the kind of signal to potential dictatorships in our hemisphere that cannot be tolerated because of the instability that it would cause," he said.

Administration officials interviewed yesterday had much the same message to deliver. Mr Gray, Mr Warren Christopher, the secretary of state, and Mr Leon Panetta, the newly appointed White House chief of staff, stressed the endorsement of US policy towards Haiti by the industrialised countries at the G7 summit, and US efforts to work with the United Nations.

Criticism of the policy's many incarnations, and the impact of sanctions on the poor, was met with scathing indictments of the "illegal" regime in Haiti.

Mr Gray's line was the toughest. He seemed to warn the Haitian military that its future rested on removal of the current leaders.

"Whether or not there is going to be any military in Haiti will depend on the behaviour of the coup leaders: whether they step down or they push the international community to ultimate options," he said.

He bluntly spelt out the US "vital interest" in removing a regime committing human rights violations with "thousands being killed and raped".

Hutus struggle to forget the horrors

Few will admit to having witnessed the slaughter of 800,000 Tutsis in Rwanda, writes **Leslie Crawford**

French soldiers on patrol in the south of the country yesterday give a reassuring wave to Hutus

Picture: AP

"You understand there are certain things I cannot talk about." The priest is standing in the courtyard of a church which dominates the village of Shangui, in the hills of western Rwanda. A paramilitary policeman hovers in the background.

In front of him, children are filing obediently into a catechism class. He avoids the far end of the courtyard, marked by the indelible evidence of a horrendous crime. Room after room is splattered with blood, blackened by fire, or shattered by the blasts of hand grenades.

Father Aime Mategeko says he was not present when Hutu militias invaded his church in late April and hacked 4,000 Tutsis to death. "I was in another parish when the troubles began," he says. "I do not know who the attackers were, or how many people they killed."

He feels uncomfortable with the questions of prying foreigners, which force him to confront one of the worst crimes against humanity since the Nazi Holocaust. "What happened here happened throughout the country," he ventures. "Part of the population felt threatened by the other part and were forced to defend themselves."

Father Aime is not alone in offering such tortuous explanations, which obscure the responsibility of the killers as well as the identity of their victims.

He will not say where the dead are buried. "As priests," he claims, "we did everything possible to protect the people, but it was not enough."

This is a claim disputed by survivors of the Shangui massacre.

"It was only thanks to the intervention of Franciscan nuns that 420 of us survived," says an aging Tutsi who escaped to a Red Cross refugee camp near Rwanda's border with Zaire.

Throughout the country, the Hutu community, the largest of Rwanda's two ethnic groups, is engaged in a process of collective amnesia.

Hutus cannot deny knowledge of what took place. Evidence of massacres can be found in almost every village. Yet few Hutus admit to having been present at the slaughter of 800,000 Tutsis that followed the assassination of President Juvenal Habyarimana on April 6.

Shame weighs so heavily that the word Tutsi, like the race of tall, proud pastoralists who once ruled over the Hutu majority, has been virtually erased from the Rwandan vocabulary. Others prefer to describe the massacres as a popular uprising against those who killed Rwanda's Hutu president.

Ever since Tutsi exiles launched a guerrilla war against the Habyarimana dictatorship in 1990, the Tutsi menace has been a cornerstone of government propaganda.

Despite the lack of evidence, Habyarimana's supporters did not hesitate to blame the rebel Rwandan Patriotic Front (RPF) for shooting down the president's aircraft. Over the government airwaves, Hutus were incited to take revenge.

The propaganda became more strident as the rebels gained military ground. Government radio broadcast reports of atrocities allegedly committed by the RPF were used to blur the distinction between Tutsi fighters and civilians and to justify their indiscriminate slaughter. There is even evidence to suggest the genocide was planned.

Tutsi survivors speak of government officials visiting churches and stadiums with lists of people to be executed. The first victims were educated or wealthy Tutsis and Hutu opponents of the Habyarimana regime.

"The extermination of Tutsis was so radical, so systematic, I have no doubt it was prepared by the Hutu extremists in the government and army," says a Tutsi priest whose life was spared. "Habyarimana's death was just a pretext to begin the massacres."

Among the Hutu militia, who call themselves Interahamwe ("those who attack together"), there are those who do not regret killing neighbours, friends and children. "You must understand that Paul Kagame (the RPF military commander) left Rwanda when he was two-years-old," explains a young militia on the road to Shangui. "If we allowed Tutsi children to escape, they would return to attack us a few years from now."

Most Hutus blame the Tutsis for their own fate. If the RPF had not invaded Rwanda, they say, the killings would not have taken place. Hutus believe Tutsis have been guilty of massacres in rebel-held areas. They say Tutsis have hidden the corpses in pits 60-metres deep to conceal the evidence of their crimes. Such beliefs are essential in a society guilty of genocide, and few are able to distinguish the fact from the fiction.

In the Bisesero hills, overlooking Lake Kivu, Hutu villagers are terrified of the gunfire that echoes in the distance. They say Tutsi rebels have infiltrated this government-held zone and claim many Hutus have been killed.

Less than two miles away, small groups of emaciated and badly wounded Tutsis stumble on to the mountain road like an apparition from hell. For the past three months they have been hiding in the woods by day and scavenging for food at night as the army and militia hunted them down like animals. These were the shots the Hutu villagers heard. When French soldiers arrive to protect the Tutsi survivors, they train their guns on Hutu militias who can be seen on the next mountain ridge.

Soon, however, Hutus may also become victims of Rwanda's reign of terror. "When the war ends," says a university lecturer, "we fear that the Hutus who have killed will turn on those of us who have not killed because we know the truth of what happened."

Those who breach the conspiracy of silence receive death threats. Few believe those who instigated the genocide will be brought to trial. The few thousand Tutsis who survive in French-guarded refugee camps say they will only feel safe when they are granted asylum in another country. They cannot envisage the day when Hutu and Tutsi will live together again.

For the Tutsi rebels, currently poised to win the civil war, the victory looks set to be a hollow one.

France steps up plea for support

By David Buchan in Paris

France will today step up its quest for an honourable exit from Rwanda with an appeal by Prime Minister Edouard Balladur to the United Nations Security Council for other countries to replace French troops in the central African state by the end of this month.

The Security Council gave France the go-ahead on June 22 to send 2,500 troops to try to prevent further massacres of refugees caught up in the Rwandan civil war, before the arrival of the UN's planned "Minuar" peacekeeping force later this summer.

But Mr Balladur said from the outset that he wanted the stop-gap French force out of Rwanda by July 31. Despite the presence of some Senegalese troops already in Rwanda and 500 Ghanaian soldiers due next week and of some Canadians and Australians, there is growing nervousness in France that the full Minuar force will not be ready in time for France to stick to its self-imposed deadline.

Mr Francois Léotard, the defence minister, warned the French Senate last week that at least some French troops would have to stay on into August.

Mr Alain Juppé, French foreign minister, said at the end of last week that he had been advised by UN headquarters that the new UN multinational peacekeeping force would be ready to relieve the French by early August.

Before flying to New York, Mr Balladur said over the weekend that he hoped to convince aid agencies to do more to help the 900,000 Rwandan refugees estimated to be in or near the security zone in the south-west of the country, and to persuade other countries to carry out their commitments to supply soldiers to the Minuar force.

Hussein to meet Rabin

By James Whittington in Damascus

Jordan's King Hussein said over the weekend that he was ready to meet Israel's prime minister, Mr Yitzhak Rabin, for the first time in public, in return for US financial aid.

He said Washington had promised to waive about $950m of debt owed by Jordan and help with the modernisation of the kingdom's armed forces if he met with the Israeli premier.

"If the meeting between me and the Israeli prime minister is a price to change the picture of this country, I will not hesitate at all and consider it a service for my country," he told the parliament.

Israeli officials yesterday welcomed the king's statement, and suggested a summit could take place in mid-October in Cairo. Mr Yossi Beilin, Israel's deputy foreign minister, said King Hussein's decision was "courageous".

Last month, the king announced that Jordan would push ahead in its peace talks with Israel and could no longer wait for progress on the other tracks. Frustrated with the lack of co-ordination with the Palestinians and Syrians, he said that from now on Jordan would look after its own needs.

Next week Jordanian and Israeli negotiators are to meet in Jordan near the 1967 ceasefire line just north of Aqaba to discuss border demarcations. It will be the first time that Israeli officials publicly enter Jordanian territory.

Later Mr Shimon Peres, Israeli foreign minister, and Mr Warren Christopher, US secretary of state, are due to attend the opening session of another round of talks in the Jordan Valley on economic co-operation. Subjects to be covered include a $3bn canal project to join the Red Sea to the Dead Sea and joint development projects in the Jordan Valley.

Caracas reopens exchange

By Joseph Mann in Caracas

Limited foreign exchange transactions will recommence in Venezuela today after being suspended by government order for over two weeks, administration officials said at the weekend.

President Rafael Caldera announced foreign exchange controls on June 27, but the government and the central bank were unable to agree on final details of a control scheme until Saturday.

Normal foreign exchange transactions at banks and exchange houses have not been carried out in Venezuela since June 23, causing problems for importers, travellers and companies with external debt payments that have come due.

Officials stressed that under the new exchange control scheme, funds would be available for servicing public and private sector external debt, and for foreign companies repatriating profits and royalties.

The presidential decree that defines the terms for approving and disbursing foreign exchange states that private sector external debt will be covered by the programme. High priority will also be assigned to imports of raw materials for industry.

There were also press reports that the government intended to fine any local news media that reported black market exchange rates, although it was unclear whether this measure would be implemented.

Venezuela's new foreign exchange scheme requires that foreign currency entering the country, with a few exceptions, should be sold to the central bank. Commercial banks will handle applications for foreign currency, and will provide funds to companies and the public.

The government will set a $500 monthly limit for those who wish to travel overseas for pleasure, and a $250 daily limit for business travel.

Peru sets out to woo investors in sell-off plan

The state is in a tight financial corner, writes **Sally Bowen**

Peru's privatisation commission, Copri, is to launch a scheme to attract at least 100,000 middle-income Peruvians as shareholders this year, and to cover the unpaid state pension funds due to workers who have converted to private pensions.

In a series of privatisations of "low-risk businesses", such as utility companies, Copri aims to transfer shares worth at least $300m (£197m) to small investors, who will be able to buy shares in fixed instalments, virtually eliminating any financial risk. Investors will pay by instalments fixed on the day of sale, but if the quoted share price falls, the state "guarantees" to charge instalments at the lower price.

The "citizen participation" scheme also aims to get the state out of a tight financial corner. A year ago, it backed the establishment of a private pension fund system, AFPs, but it has been unable to pay the funds owed by the virtually bankrupt state pension scheme to workers who have switched to private cover.

Workers may now opt to take all or part of their state pension in the form of shares in privatised companies. The AFPs will then trade the shares on behalf of the funds they manage, giving them a long-awaited new instrument. And Peruvians who have never owned a share in their lives will, the plan's designers hope, acquire a stock exchange mentality.

"Citizen participation" should provide a boost both for the AFPs and for Peru's underdeveloped capital markets, says Mr Carlos Montoya, Copri's general manager. He predicts that the Lima stock exchange's total market capitalisation will "rise between two and three times" from its current $6bn with the public offerings via privatisations due in coming months.

The programme is due to start in September with the sale of part of the state's holding in cement producer Norte Pacasmayo.

Copri also expects the programme to cover the privatisation of electricity companies Electrolima (already split into three separate entities for sell-off) and Electroperu; telecoms company Entel (in which Spain's Telefonica already has a 35 per cent stake); another state-owned cement producer; and the state-controlled Banco Continental.

In each case, the state will invite operators to bid competitively for a majority or controlling stake via public auction. Part of the state's remaining 30 or 40 per cent holding will then be offered to the Peruvian public. There will be a holding limit of 10,000 sols (£2,960) per company per individual, to ensure a broad ownership base.

Copri is gearing up for an massive education and promotion campaign to launch the programme to overcome small savers' distrust of government-backed schemes. "We want to make it as easy as possible for the new investor," says Mr Montoya. Participants in the scheme will pay 10 per cent cash down for their share package and the rest over three years at a fixed 1 per cent a month interest rate. Local banks will hold on to shares until full payment is made.

"We consider this [instalment-plan] mechanism extremely important both for the deepening of the process and to increase the direct identification of the population with privatisation," said Mr Montoya.

The programme will also help the Peruvian government with the embarrassing dilemma of how to spend its privatisation cash. Revenue from privatisations has already topped $1.5bn this year. The bulk of that came from the sell-off to Spain's Telefonica of the two state-controlled telecommunications companies, Entel and CPT.

Such sums cannot be injected into the small Peruvian economy without jeopardising newly won control of inflation. The $1.3bn telecoms cash, therefore, has had to be placed on deposit with the central bank (swelling Peru's already substantial international reserves to an unprecedented $4.7bn). Even stepped-up povorty alleviation programmes are unable to spend more than $300m in a year.

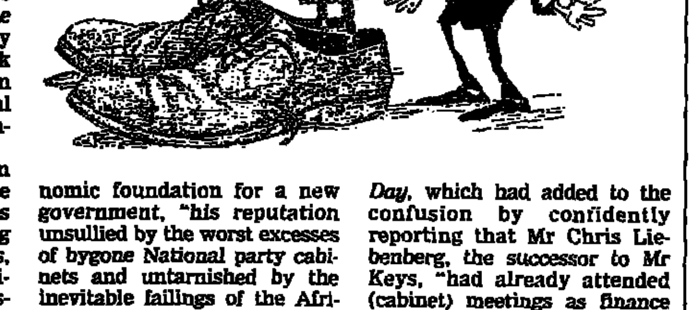
The citizen participation scheme will not mop up all of the privatisation cash, "but it will allow the state to reduce its internal debt, and it will boost Peru's capital markets growth," says Mr Montoya.

INTERNATIONAL PRESS REVIEW

No fire behind smoke

SOUTH AFRICA

By Michael Holman



In a week in which the South Africa's press were unable to discover just what were the "personal reasons" that lay behind finance minister Derek Keys' unexpected departure on Tuesday, there were several other fascinating but unanswered questions.

How would President Nelson Mandela placate Mrs Marike de Klerk, the former president's wife, whose fury at being forced to move from Libertas, the official presidential residence in Pretoria, was disclosed by the Afrikaans daily, *Beeld*?

Could Mr F W de Klerk's eviction have anything with the disappearance of Dinky, the family dog, whose plight was reported in the *Pretoria News*?

And could the Springboks rugby team recover from their defeat against the All Blacks? the *Sunday Tribune* asked

However, for several days, a single question was uppermost for all papers: Why did Mr Keys resign?

After much speculation, South Africa's press shared the conclusion of the *Weekly Mail*, the independent paper. "Keys: no fire behind the smoke".

Shaun Johnson, deputy editor of *The Star*, the city's afternoon paper, put the best face on the affair: Keys "did the most difficult of things, quitting while he was right on top ... the retrospective portrait will be one of unflamboyant glory," he wrote in his weekly column.

He would be known as the man who laid down a solid economic foundation for a new government, "his reputation unsullied by the worst excesses of bygone National party cabinets and untarnished by the inevitable failings of the African National Congress controlled one".

Keys established a psychological precedent, wrote Johnson, selling to the middle classes "the concept of a tax surcharge" – a reference to the budget's 5 per cent levy on higher bracket tax payers.

No such generous treatment from *The Citizen*, whose editor Johnnie Johnstone has managed to pay generous tribute to President Mandela while maintaining a conservative stance.

Easily the best paper of record, with a large black readership attracted – according to conventional wisdom – by the paper's comprehensive racing coverage, the Citizen's mid-week editorial spared neither Keys nor government.

"It's not satisfactory, Mr Keys. You should have stayed on. But as you have resigned, you owe it to the country to say exactly why.

"As for the government, we think its handling of the matter putrid".

Johannesburg's *Business Day*, which had added to the confusion by confidently reporting that Mr Chris Liebenberg, the successor to Mr Keys, "had already attended (cabinet) meetings as finance minister designate", expressed city sentiment.

The resignation "presents the government of national unity, still basking in the afterglow of its remarkable installation, with the most difficult test it has faced so far," said Wednesday's editorial.

By the end of the week, however, interest had focused on another question: Who benefitted from insider trading in the hours before the Mr Keys' resignation became official? asked the *Sunday Times*.

And one question was never raised. Why did the powerful Congress of South African of Trade Unions accuse Mr Keys of letting the side down and "betraying Mandela's trust" by leaving early, instead of saying good riddance to Mr Keys?

After all, he was the finance minister who advocated fiscal discipline, and refused to bend to union pleas to extend VAT zero rating to more foods

Maybe in the answer to this question lay the secret of Mr Keys' success.

NEWS: INTERNATIONAL

Kim Il-sung: war hero, skilled politician and tyrant

John Burton looks at the career of the 'Great Leader' who exploited North Koreans' xenophobia

The death of 82-year-old North Korean President Kim Il-sung ends the longest rule of any political leader in the 20th century. His durability was based not only on the brute force of the authoritarian regime that he created, but also reflected his consummate political skills.

Mr Kim's strength rested on his ability to appeal to Korea's strong national pride and his rule was deeply-rooted in Korean tradition. His policy of *juche* (self-reliance), which gradually replaced Communism as North Korea's main ideology, was based on Korean resentment against centuries of foreign intervention.

In his 46 years as leader, he manipulated Confucian principles of filial piety to promote his own role as Great Leader and to establish a dynastic succession for his son, Mr Kim Jong-il.

But Mr Kim's passing is likely to prove it was the power of his personality, bolstered by mass adoration expressed in semi-religious public ceremonies, that was the glue that held North Korea together.

His absence will expose more clearly the faults of his policy of xenophobic nationalism, which carries with it the seeds of North Korea's own destruction. His efforts to create a self-sufficient Korea have taken a heavy toll on the economy, apparently heading toward collapse.

Dream of power and benevolence: How Pyongyang propaganda saw the 'Great Leader' and his adoring people

Mr Kim's nationalist attitudes were formed in his youth under Japanese colonial rule. He was born as Kim Song-ju on April 15, 1912, two years after Korea was annexed by Japan. His family moved when he was seven from his birthplace near Pyongyang to Manchuria, northern China, where he became involved in Communist organisations in his late teens.

Mr Kim became a genuine hero of the Korean independence movement, commanding units ranging from a handful of soldiers to 300-man forces within Manchuria and along the Korean border. But by 1941, Japanese military pressure forced him to withdraw to the Soviet far east.

He used his Soviet military contacts to gain a leadership position in North Korea Communist party by December 1945 and two months later was chairman of the North Korean provisional government.

Mr Kim introduced popular measures in late 1940s including land reform and nationalisation of the mostly Japanese-owned industry. He become the prime minister of North Korea when the country was officially established in September 1948 and chairman of the ruling Korean Workers' Party a year later, securing a dominant political position.

His main goal was then to reunite North and South Korea. He deftly played off the Soviet Union against China to gain the support of both for an invasion of the South. The gamble seemed reasonable, as the southern military was weak and ill-equipped, while the US had indicated it would not come to Seoul's defence.

But the gamble failed disasterously after the US decided to intervene in its first main armed confrontation with the Communist bloc.

With the end of the Korean war in 1953, Mr Kim embarked on a Stalinist policy of forced agricultural collectivisation and creation of heavy industry. The programme relied heavily on Soviet economic aid, including supply of plant facilities and machinery, but it initially provided the North with faster growth than the South.

A critical turning point came with the Sino-Soviet split in 1961 and the Soviet retreat in the Cuban missile crisis a year later. Both events convinced Mr Kim he could not rely on either Beijing or Moscow for his and North Korea's survival.

He began constructing a fortress state that would increasingly divert massive resources from the rest of the economy. He built a domestic arms industry and created one of the largest armies in the world. It was during this period that North Korea laid the foundation for a nuclear weapons programme that would fruition almost 30 years later.

By the early 1970s, North Korea was losing its economic race with the South, which had embarked on its own military-led industrialisation programme in the early 1960s. Pyongyang made one last effort to import western technology to replace outdated Soviet and Chinese machinery, but subsequently defaulted on international bank loans used to buy the equipment.

This was accompanied by political repression, with an estimated 100,000 persons being placed in prison camps. North Korean terrorist activities also multiplied.

But in the late 1980s, North Korea began tentative moves to open itself to the outside world. in 1990 it joined the UN and the prime ministers of the two Koreas began meeting regularly. Progress was capped by the signing of non-aggression and non-nuclear pacts with the South in late 1991.

The North's gradual opening was forced by the collapse of Soviet bloc, which deprived Pyongyang of important export markets and source of vital oil and food imports. The economy began shrinking at an annual rate of 5 per cent after 1989.

North Korea's threat last year to pull out of the nuclear non-proliferation was regarded as an attempt to win Western concessions and Mr Kim appeared to be achieving his goal of gaining US support when he died.

Nuclear talks upset by death

By John Burton in Seoul and Bruce Clark in Naples

The death of North Korean President Kim Il-sung has suddenly complicated efforts to resolve the dispute over international inspections of the North's nuclear facilities.

Mr Kim died just as the US began negotiations with North Korean officials on Friday in Geneva in what was regarded as a significant round of discussions to break the impasse. His death also came shortly before he was scheduled to meet South Korean President Kim Young-sam in an unprecedented summit on July 25 in Pyongyang to discuss the nuclear question.

Both the US-North Korean talks and the Korean summit have been indefinitely postponed.

Meanwhile, the Group of Seven and Russian leaders in Naples yesterday urged North Korea to ensure "total transparency" for its nuclear programme and also to go ahead with its proposed dialogue with South Korea and the US, despite the death of its leader.

The Naples summit communique told the authorities in Pyongyang to "remove, once and for all, the suspicions surrounding their nuclear activities" by complying with their international obligations.

North Korean officials had indicated stress related to tensions over the nuclear issue in recent weeks may have contributed to Mr Kim's heart failure.

South Korea said yesterday it has not yet heard from the North whether it wants to hold the summit, although US President Bill Clinton said in Naples that Pyongyang indicated to Washington that it plans to proceed with the meeting at a later date.

Officials in Seoul expressed optimism that North Korea might take advantage of Mr Kim's death to improve relations with the US rapidly in the hope that it will help stabilise the new Pyongyang government of Mr Kim Jong-il, the late president's son and designated successor. They added that a Korean summit is unlikely to occur until the transfer of power to Mr Kim has been completed.

The junior Mr Kim took public responsibility last year for threatening to withdraw North Korea from the nuclear non-proliferation treaty in a step that triggered the dispute.

Some South Korean officials believe, however, that Mr Kim and his father may have deliberately provoked the crisis as a ploy to force US to the negotiating table and offer diplomatic recognition to Pyongyang in exchange for full nuclear inspections.

Another hopeful sign is that North Korea is continuing to allow inspectors from the International Atomic Energy Agency to monitor nuclear activity at its Yongbyon facilities.

The late president recently agreed to suspend the North's nuclear operations in exchange for the new round of talks with the US on possible diplomatic recognition and economic aid from Washington. After the first session of US-North Korean talks on Friday, both sides described the discussions as "very useful and productive".

An adviser to President Boris Yeltsin said Russia's main concern was that there be no instability in North Korea. He welcomed reports that the situation there remained calm and voiced the hope that the US-North Korean dialogue would be soon resumed.

Mr Warren Christopher, US Secretary of State, said if Pyongyang complied with international demands over its nuclear programme, the US would welcome a chance to meet the new North Korean leader. He said that Kim Jong-il is the likely successor, although nothing could be taken for granted.

Beijing hails 'close comrade'

By Simon Holberton in Hong Kong and Our Beijing Correspondent

It is a measure of the importance Beijing attaches to its relations with North Korea that China marked Kim Il-sung's passing with a "personal" message from Deng Xiaoping, the country's paramount leader, and official condolences from the three most senior members of the Chinese communist party.

Mr Deng, 89, hailed the North Korean dictator as a "great leader" and a "close comrade in arms". This is high praise from a leader whose own efforts in the modernisation of China's economy stand in such stark contrast to the ideology of *juche*, the self-reliance that has kept North Korea isolated and impoverished.

Mr Deng sent a telegram to the Workers' Party of Korea central committee saying he was "shocked and deeply grieved" to learn of the death: "The life of Comrade Kim Il-sung was one devoted to the national liberation of Korea and the happiness of the Korean people, and one dedicated to the forging and development of Sino-Korean friendship."

To Mr Deng's condolences were added those of Mr Jiang Zemin, state president, Mr Li Peng, prime minister, and Mr Qiao Shi, head of the National People's Congress, presented under joint authorship.

Political specialists at western embassies in Beijing played down the political significance of the lavish coverage, saying it was a matter of conforming to protocol and protecting China's long and sometimes strained alliance with North Korea.

"China doesn't want North Korea to feel alarmingly isolated, especially in the middle of the talks about nuclear arms. So it sent a reassuring message. And there is probably some genuine compassion by Deng and the old Chinese leaders for a fellow Marxist revolutionary," one diplomat said.

However, it is unclear how much influence Beijing has over Kim Jong-il, expected to be the new leader. The younger Kim cancelled a visit to Beijing in March last year when China refused to arrange meetings for him with senior leaders.

NEWS: INTERNATIONAL

Split over BCCI chief's plea-bargaining

Government wants co-operation, New York's DA wants a longer jail term, reports **Ken Warn**

The plea bargain involving Mr Swaleh Naqvi, former chief executive of the defunct Bank of Credit and Commerce International, accepted in Washington on Friday, has left the US Justice Department and the New York district attorney's office at daggers drawn.

The department believes it has secured the most important BCCI conviction so far in the US and won the co-operation in continuing investigations of the number two official at the bank. But the district attorney's office believes Mr Naqvi will be given an unnecessarily light sentence, with little guarantee that he will be able significantly to advance the BCCI investigation.

The department may have taken a calculated risk in negotiating a deal with Mr Naqvi. It hopes his promise to co-operate will help unravel the colossal fraud at the bank, closed by international regulators three years ago, more than a long and possibly difficult trial would.

In unveiling the plea bargain, federal lawyers said Mr Naqvi would co-operate with the Justice Department, the Federal Bureau of Investigation and any other federal or regulatory agency as directed by the US authorities.

Mr Joseph diGenova, Mr Naqvi's lawyer, told the court his client had already assisted the US authorities and would continue to co-operate fully, reviewing and identifying the hundreds of thousands of BCCI documents now in the US.

Under the deal, Mr Naqvi pleaded guilty to charges of fraud, conspiracy and racketeering. Sentencing, likely to comprise a jail term of 6-8½ years after taking into account almost three years Mr Naqvi spent in custody in Abu Dhabi, is due in October.

However, even before the deal was presented in court it came under fierce attack from Mr Robert Morgenthau, the New York district attorney, whose office has aggressively pursued the BCCI investigation for five years.

Mr Morgenthau wrote to the court on July 5 complaining that the sentence called for in the plea bargain was too light and urging a jail sentence of 17½ years or more. "The defendant's crime was a long-term, calculated crime of treachery," the letter said.

> 'The defendant's crime was a long-term, calculated crime of treachery,' the district attorney's letter said.

But the objections of the district attorney's office run deeper. "Where I come from you plea-bargain with the little fish to get the big guy, not with Naqvi to get the little guys," said one official. He was sceptical about the extent of Mr Naqvi's past and future co-operation with the US authorities.

Mr Naqvi pleaded guilty to defrauding US regulators and to engaging in a conspiracy with Mr Agha Hasan Abedi, BCCI's founder, secretly to control four US banks, including Washington-based First American Bankshares.

But according to Mr Morgenthau's office, these charges ignore the true scandal at the heart of the BCCI case – that it was a huge international conspiracy to defraud the public. New York officials say they will pursue charges against Mr Naqvi at state level and have expressed their determination that he should "serve time in New York" for his crimes.

However, Mr Naqvi's defence team is likely to argue that the New York indictment involves charges covered in the plea bargain and runs counter to the "double jeopardy" clauses of the US constitution.

As far as the Justice Department is concerned, the hostile reaction from New York is just sour grapes and the plea agreement and the proposed sentence are fair.

In its submission to the court the department cited fears of a long and expensive trial as one of the reasons for taking the plea-bargain route. Mr diGenova reinforced that argument by saying that had his client come to trial he would have challenged every document brought in evidence and the reliability of key witnesses.

Department officials also point to the difficulties Mr Morgenthau's office experienced in its case against Mr Clark Clifford, former US defence secretary, and his law partner Mr Robert Altman, whom it accused of conspiring with BCCI in the takeover of First American Bankshares.

Mr Altman was acquitted last year and charges against Mr Clifford were dropped because of his ill health.

While the US authorities question Mr Naqvi behind closed doors, and Mr Morgenthau tries to push him into open court, there is another court proceeding which could throw light on the mechanics of the BCCI scandal.

In June, three former BCCI non-executive directors filed suit in the US against Abu Dhabi, the bank's majority shareholder, seeking \$100m (£65.7m) damages for the harm done to their reputations by the bank's collapse.

Lawyers for the three are seeking access to the BCCI documents in the US, claiming they will give a much fuller account of the fraud than has so far emerged and throw light on the role of Sheikh Zayed bin Sultan al-Nayhan, the ruler of Abu Dhabi.

Weightless love for spacefish

By Paul Botts, Aerospace Correspondent, at Cape Canaveral

There are "astronewts" in space. They were launched, on Friday, aboard the US space shuttle Columbia.

But in a mission loaded with 126 jellyfish, 11,200 baby sea urchin, 144 newt eggs, 180 toad eggs and 340 fish eggs, all eyes are going to be on just four Japanese Medaka fish.

For these orange, one-inch-long, freshwater fish may be about to provide some answers, not just on sex in space, but on food in space too: solving two thorny issues for manned space exploration ahead of the construction in orbit of a \$30bn (£19.7bn) international space station.

Due to begin in 1997, the space station should be completed by June 2002, if governments maintain their funding commitments. The Medaka fish experiment is aimed at developing fish breeding technology to provide the space station astronauts with a source of high-protein food.

Scientists first tried to get rats to conceive in space, but they bounced off one another in a zero gravity environment. However, the tiny Japanese fish have a peculiar tolerance for weightlessness, unlike most fish, which swim in wild looping patterns when exposed to microgravity.

They also have a short life cycle, of three months from one generation to the next, and once fertilised, Medaka eggs hatch within eight days. This will give the crew the opportunity to watch the fish mate and see their eggs hatch.

But should the two amorous pairs of Medaka fish find it hard to have sex in space, the shuttle crew will experiment with the 340 artificially inseminated Medaka eggs also aboard the Columbia to study embryonic growth which, some scientists say, could help research into human embryos.

WORLD CUP

Flashes of beauty mark Brazil's triumph

Jurek Martin watches as the three-time champions hold off an exciting Dutch fight-back

Nobody will ever remember the first half of Brazil vs Holland in the World Cup quarter-finals in Dallas on Saturday. Few will ever forget the second.

It went 1-0 and then 2-0 to Brazil, then 2-1 and 2-2 as the Dutch miraculously rallied, only for Branco, the mid-fielder, to step into an 80th minute free kick from 30 yards and bury it, conclusively, off de Goey's left-hand post.

It was not only the goals. The second half saw soccer at its very best, with skill, passion and controversy of an order that deserves to be corked and bottled by the million cases, to be opened whenever the sport goes dull as a reminder of how it can be played.

After the team's disappointing second-round performance against the US last Monday (Brazil won 1-0), many Brazilians feared a loss against Holland. And many still think Brazil are not playing as well as they should.

Despite the team's unbeaten record, Brazilians sports writers had condemned what they called "ugly and artless" soccer and manager Carlos Alberto Parreira was singled out for criticism.

But on Saturday, Romario and Bebeto were the catalysts. The twin Brazilian strikers came out after half-time determined to take the match by the scruff of the neck – and did so. Twice in the first three minutes Romario went close, and after 51 minutes he put Brazil ahead.

It was Bebeto, inevitably, who set it up, released at top speed by Dunga's through ball into the area. His left-foot cross was without flaw but, even so, bounced awkwardly for Romario – though not too awkwardly for a reflex right-foot half-volley from 10 yards that no goalkeeper could have touched.

Brazil were rampant now, Bebeto hitting the post and Romario foiled by de Goey, running past Dutchmen as if they were lamp-posts. But it was Romario at a walk who was the vital ingredient in Bebeto's 61st-minute goal.

Romario was strolling back, unconcerned and indisputably offside, from the Dutch area when Bebeto latched on to a headed ball from the Brazilian half, broke one tackle, rounded de Goey and tapped the ball home. The Dutch stood still, waiting for the flag against Romario, but, after consultation, the referee and linesman stuck to the new letter of the law – that the Brazilian had been "passive" to the play in progress.

Brazil then relaxed, almost fatally. Two minutes later, a throw-in from the left saw Bergkamp surviving one half-hearted challenge and beating Taffarel in the Brazilian goal from close range with a hard right-foot shot.

Taffarel had lasted the equivalent of more than three matches without having to save a direct shot, but he was under the gun now, first from Jonk, then from Winter. Yet Taffarel seemed asleep in the 75th minute, rooted to his line as Winter rose to an Overmars corner and headed home the equaliser from no more than six yards.

Now it was Brazil's turn to show mettle. Branco, in for Rai in mid-field, immediately unleashed a 35-yard range-finder that de Goey touched over. Satisfied, when the free kick came moments later – following the only foul that could be described as remotely dirty – he completed the scoring.

That finally took some of the stuffing out of the Dutch. Manfully though they tried in the closing minutes, forcing some un-Brazilian punts into the crowd and unoccupied corners of the pitch, they created no more clear chances.

But it was no disgrace to lose this one. There may have been moments when Romario and Bebeto ran five yards before their markers moved one foot, but the Dutch defence mostly compensated and covered. Koeman unleashed some thunderbolts, blocked by Brazilians who will know it on the morrow, and Bergkamp and Overmars showed that the Brazilian defence is far from invincible.

Yet nobody has found a way to keep Romario and Bebeto quiet. A ball and chain might help.

Frank Rijkaard of Holland challenges for the ball with Brazilian mid-fielder Dunga during Saturday's quarter-final clash in Dallas Reuter

Bulgaria come from behind to knock out Germany 2-1

Outsiders Bulgaria struck twice within three minutes in the second half to send defending champions Germany crashing out of the World Cup at Giants Stadium in New Jersey yesterday.

Goals by Stoichkov and Letchkov ended Germany's reign to put Bulgaria into the semi-finals for the first time.

German captain Lothar Matthäus, making a record-equalling 21st appearance in a World Cup finals game – joining his countryman Uwe Seeler, Wladislaw Zmuda of Poland and Argentina's Diego Maradona – fired the Germans ahead from the penalty spot in the 49th minute after strikers Klinsmann and Völler had both been brought down.

Bulgaria then seized the initiative and Stoichkov curled in a free kick in the 76th minute to bring the teams level. Three minutes later Letchkov – who had been at fault for the German penalty – scored the winner with a spectacular diving header.

Iankov lofted a center from the right and Letchkov dived for it with Hässler, got there first and directed a well-placed header between the diving German goalkeeper Illgner and the right-hand post.

Ironically, Hamburg mid-fielder Letchkov, who was 27 yesterday, is the only German-based player in the Bulgarian squad.

It was sweet revenge for Bulgarian coach Dimitar Penev, whose team have also beaten the other 1990 finalist, Argentina. Penev played against German coach Berti Vogts in the 1970 World Cup in Mexico, when West Germany beat Bulgaria 5-2.

Bulgaria, who last beat then West Germany in 1960 and who had not won a World Cup game in five previous visits to the finals, now meet three-time champions Italy in the semi-finals, also at Giants Stadium, on Wednesday.

■ Results

Spain 1	Italy 2
Holland 2	Brazil 3
Germany 1	Bulgaria 2

■ Semi-Finals

Wednesday, July 13

Italy vs Bulgaria
New Jersey 5pm BST

Brazil vs Romania or Sweden
Los Angeles, 12.30am Thurs

■ Final

Sunday, July 17

Los Angeles 8.30pm

Protocol guides move quietly

Among thousands of World Cup volunteers, there is a select group that says it is better to be seen than heard. World Cup 'protocol ambassadors' move quietly among groups of foreign politicians and diplomats who are visiting the US to watch their countries play soccer.

"It is a heady responsibility," says Marianne Ward, chief of protocol for the World Cup venue at Giants Stadium in East Rutherford, New Jersey. "The protocol ambassador may be the closest that these dignitaries come to an everyday American."

Protocol ambassadors are at each of the nine World Cup sites. They are responsible for meeting foreign VIPs at airports and guiding them through their visit.

Sam Destito, a lawyer, said he became a protocol ambassador because he felt the world was issuing a challenge to America. "I don't think the rest of the world thought America could handle the responsibility of the World Cup games," Destito said. "Now visitors compliment me on our country's ability."

Salenko still leads goal chase

Oleg Salenko still tops the World Cup scoring race though he hasn't had a chance to add to his tally: Russia bowed out after the first round. To overtake him, someone has to crack a six-goal barrier that has not been broken in 20 years.

Salenko, 24, netted five goals – a World Cup record for a single game – in Russia's 6-1 rout of Cameroon on June 28. Then he and his team went home.

Possessing the top scorer was not enough to win the World Cup trophy at the last two tournaments, where the leading marksmen were Italy's Toto Schillaci (1990) and England's Gary Lineker (1986).

But Paolo Rossi scored most goals when Italy won the championship in 1982, as did Mario Kempes when Argentina won in 1978.

Grzegorz Lato's seven goals for Poland in 1974 was the last six-plus total. Just Fontaine's 13 goals for France have stood as all-time high since 1958.

Italy ride luck and history to see off Spain

For the Azzurri, results are mattering more than how they are playing, writes **Jurek Martin**

The way things are going, Italy will win this World Cup: not because the Azzurri are the best team – charitably, on current form, they would barely scrape into the top 10 of the 24 who qualified – but because they have a winning formula.

It works like this. Play like drains; be savagely criticised back home for performance; and allow one or other Baggio to score the necessary minimum of goals.

It worked against Spain in the quarter-finals on Saturday, as it had against Norway and Nigeria. For much of the match, the presumed contest between Italian offence and Spanish defence leavened by speedy counter-attack never materialised.

Spain controlled most of the game and rarely used their fleetness while Italy, competent defence apart, showed all the inspiration of soggy, over-cooked *penne*.

But the Italian defence held – tenuously – and the Baggios did their bit. In the 26th minute, Dino, the game-winner against Norway, found himself with a bit of room 25 yards out and bent a right-footed out-swinger past Zubizarreta in the Spanish goal. Roberto's fake run across the middle may have momentarily screened the Spaniard from a clear view.

Spain drew level after 58 minutes on a deflected shot from Caminero and proceeded to dominate. More than that, Salinas, a second-half substitute, should have disposed of the increasingly tired Italians after 82 minutes when set free alone in front of Pagliuca 10 yards out. He mis-kicked embarrassingly.

That set the stage for Roberto Baggio; previously, an early blocked shot excepted, he had been a mostly marginal performer. After 87 minutes, an instinctive flick from Signori, only introduced after the break, set him loose on the right of the area. Checking the scoreboard clock for dramatic effect – his equaliser against Nigeria came a minute later – Baggio deftly rounded Zubizarreta and right-footed it under the covering Abelarde from an acute angle.

Spain, quietly impressive throughout the tournament, with as many goals (nine before Saturday) as anyone, must wonder why they lost a match they played well enough to win. There was less down the flanks than in previous matches from Ferrer and Sergi, who was withdrawn after an hour and less than a minute after helping to set up Caminero's goal. But otherwise few feet were put wrong, and particularly not Caminero's.

The answer can only lie in history and familiarity. Spain have never gone beyond the quarter-finals, and 16 of the players on the pitch on Saturday had taken part in the European Cup final not so long ago between AC Milan and Barcelona. AC's 4-0 victory was a lot more convincing than Italy's 2-1, but the result was the same.

For the Azzurri, these days, it matters less how they play the game than how it turns out. And history is on their side. In 1982, in Spain no less, their early matches were also undistinguished, but then Paolo Rossi got untracked. Two Baggios may yet equal one Rossi.

Tories to lobby over Post Office sell-off

By Roland Rudd

Conservative backbenchers opposed to the privatisation of Britain's Post Office are planning to lobby the government in favour of selling only a minority stake to keep the corporation in the public sector.

After a series of private meetings in the Commons the MPs have accepted the need to inject private capital into the Post Office.

But instead of the government's preferred option of selling 51 per cent of the shares in the Royal Mail and Parcelforce they are arguing for a flotation of 30 per cent.

The MPs say the recent 30 per cent share sale in Koninklijke PTT Nederland, the state-owned Dutch postal and telecommunications company, provides a good example of how private capital can be injected without full privatisation.

More than eight Tory MPs say they oppose the government's preferred option and have threatened to vote against it if put to a vote, wiping out the government's majority of 15.

Mr Michael Heseltine, trade and industry secretary, is confident he will be able to win over the remaining Tory MPs opposed to his privatisation plans.

However the MPs, by taking the unusual step of meeting together, have made it clear to Mr Heseltine in one-to-one meetings they are planning "a big fight" to prevent the corporation moving into the private sector.

Mr Nicholas Winterton, Macclesfield's Conservative MP, accused the DTI of making misleading comparisons between the Dutch sell-off and its current privatisation plans for the British Post Office.

"I am in favour of selling off a minority stake so long as the corporation remains in the public sector," he said.

Mr Hugh Dykes, MP for Harrow East, and Mr Patrick Cormack, Staffordshire South, who have urged Mr Heseltine to draw back from privatising the Post Office, favour a 30 per cent sale. But Mr Cormack said he would be happy to see up to 49 per cent of the shares sold.

Tory MP Sir Teddy Taylor said he also backed a 30 per cent sale of the Post Office. "It would be a bad bargain for the taxpayer if we sold 51 per cent ahead of the massive benefits that the corporation says will flow from commercial freedom."

Mr Robert Hicks, Conservative MP for Cornwall South East, said he would would like the Post Office to remain in the public sector with the removal of the Treasury constraints on it. He said, "I would be less worked up by a 30 per cent sale. But there is no way that I am going to commit myself to the 51 per cent sale."

Although Mr Heseltine has committed the government to a uniform affordable tariff, Mr Hicks pointed out that electricity privatisation led to regional price differentials after similar assurances.

Party managers are still hopeful of bringing forward a bill in November to privatise the Royal Mail and Parcelforce after the consultation period ends in the autumn.

Government set for busy period prior to recess

By David Owen and John Willman

The British parliament's last nine sitting days before MPs disappear for their three-month summer break will bring a flurry of ministerial statements and policy documents on subjects as diverse as accruals accounting and the homeless.

It is a time-honoured tradition at Westminster that the last few days of a parliamentary session are dominated by long-awaited government announcements, but this year may break all records.

Between today, when Mr John Major reports to MPs on the world economic summit in Naples, and July 21, when parliament's summer recess starts, at least nine significant government announcements are expected. Others, including a statement on parliamentary reform and a heritage department white paper on privacy and press freedom may also emerge.

In addition to the prime minister's G7 statement and his much-flagged cabinet reshuffle which is set to be unveiled during the next ten days, Westminster watchers are expecting:

- An Efficiency Unit study on the future of government research establishments.
- A white paper on the future of the civil service. To be published on Wednesday, this will propose ending centralised pay bargaining and introduce personal contracts for more than 2,000 top mandarins. Further privatisation will be predicted, with the civil service to drop from 540,000 to 500,000 over the next four years.
- A Treasury green paper on the shift from cash accounting to accruals accounting. Also expected around the middle of the week, this will provide detailed proposals on how the public sector presents its accounts, bringing it more in line with the private sector.
- A Commons statement by Mr Malcolm Rifkind, defence secretary, on defence cuts. Expected on Thursday, this may seal the fate of the Rosyth naval base in Scotland.
- New regulations setting a stiffer residency test for EU nationals who say they are looking for work in the UK and seek to claim benefit. The new rules are due to come into effect in August.
- The announcement of a number of recommendations by the government's deregulation task force, including a proposal that would allow thousands of charities to escape the requirement for an annual independent examination of their accounts.

Archer probe result expected soon

By Richard Donkin and Kevin Brown

Britain's Department of Trade and Industry hinted strongly yesterday that a report on the investigation into Lord Archer's alleged involvement in insider dealing might be expected within a week.

The DTI acknowledged the urgency to settle the affair as it came under pressure to provide a full explanation of the circumstances in which it disclosed Lord Archer's name at the centre of the investigation.

Lord Archer publicly fended off questions about the inquiry for the second day running yesterday when he hosted an auction to raise funds for the Globe Theatre replica on London's South Bank.

However, his friends have been pressing for an early announcement which they believe will clear his name. Continuing uncertainty about the outcome of the investigation is leading to increasing speculation about the ministerial reshuffle, expected shortly.

Mr Major, at the G7 summit in Naples yesterday, refused to say whether Lord Archer would feature in the reshuffle if as his friends claim, the former party deputy chairman is exonerated by the DTI.

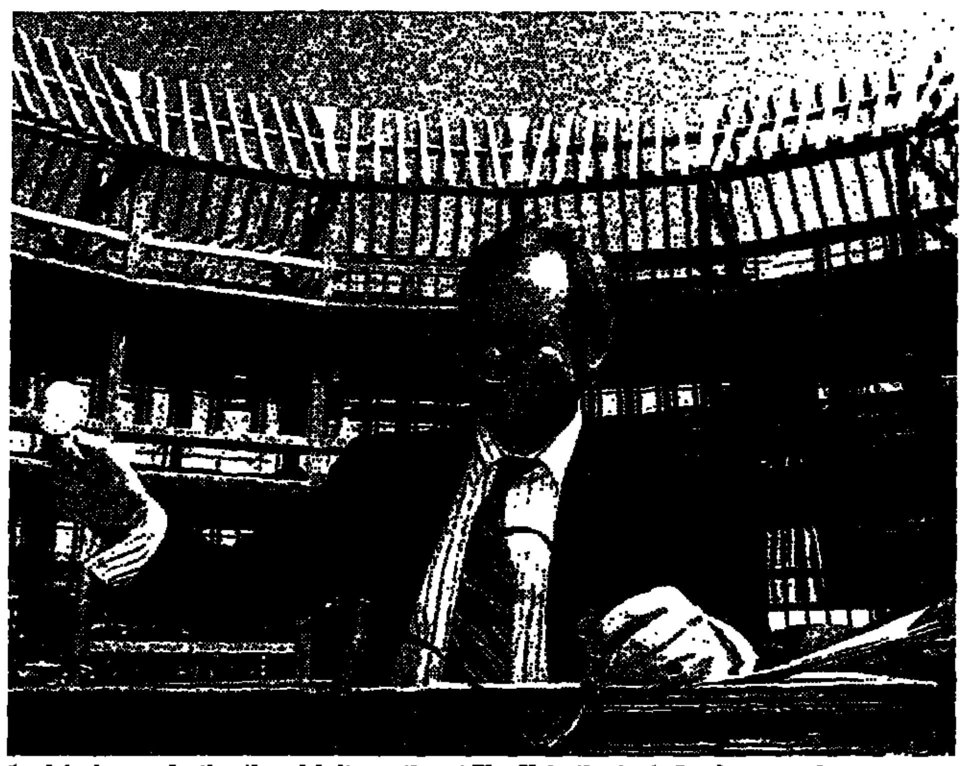
The prime minister said the matter must rest with the DTI and the investigators appointed to investigate allegations of insider trading. "I don't think it would be at all right for me to offer any further comment on that whatsoever," he said.

However, if the DTI gives Lord Archer a clean bill of health before the reshuffle, his chances of securing a government post are belived to be the same as they would have been had details of the inquiry remained confidential.

Questions by Conservative MPs into the way the DTI handled the disclosure of Lord Archer's name reveal deepening concerns about further damage to public confidence in the government if the are allowed to go unanswered. They arise at a time that Mr John Major, the Prime Minister, believed he had put one of the stormiest periods of his premiership behind him.

The investigation, launched last February, centres on share dealing in Anglia TV during the run-up to an agreed takeover bid which sent shares soaring. Lord Archer's wife, Mary, is a non-executive director of Anglia. The DTI has refused to discuss details of the inquiry, but it is believed to involve a single transaction involving 30,000 shares and a profit of about £50,000.

One newspaper report yesterday quoted friends of Lord Archer saying he expected the Department of Trade and Industry to issue a statement saying he was "totally innocent of any wrongdoing". Otherwise he would consider legal action, they said.



Lord Archer conducting the celebrity auction at The Globe theatre in London yesterday Press Association

Britain in brief

Housing cash sought in Germany

Representatives of UK housing associations will today invite German mortgage banks to raise finance for building inexpensive homes for rent or sale.

The Housing Corporation, the quango that distributes government grants to English housing associations, is co-hosting a seminar in Frankfurt for more than 30 German banks in its quest for new sources of funding for housing associations.

Associations at present raise about 40 per cent of the cost of building new homes from private-sector borrowing. They have raised £5.5bn since 1989, including more than £1bn through sterling debentures.

The corporation estimates that associations will need another £7bn over the next four years, and is keen to expand the investor base. It hopes to persuade the German banks to issue sterling Pfandbriefe, long-term fixed-interest bonds, to raise funds.

Speakers at the seminar, organised in association with Rheinische Hypothekenbank, include representatives of the Treasury and Department of the Environment, as well as current UK lenders.

London shows safety shortfall

A survey of London employers has found serious shortfalls in health and safety provisions for their workforces.

The survey of 350 workplaces, carried out by the Industrial Society, found that employers were failing to make changes to comply with new health and safety legislation. Few were offering adequate induction or training for staff and managers and few had bothered to look at the health and safety records of contractors they hired.

The report found that only 43 per cent of employers had held a fire drill in the past six months, even though they should have done by law.

While nearly three-quarters of the respondents regularly employed contractors on their sites, only half of them included health and safety in the contract or checked the contractor's record on health and safety before hand. Less than half of them bothered to monitor contractors' safety performance or imposed penalties for safety lapses.

Water rules 'too generous'

Consumers have not had a fair deal on water prices since privatisation, the National Consumer Council says today.

The regulatory system has been too generous to the companies, says the report, which comes two weeks before Mr Ian Byatt, industry regulator, announces new price controls.

Operating profits of the 31 regulated companies rose by an annual average of 20 per cent from 1989-90 to 1992-93 and profit margins increased from 28.7 per cent to 35.6 per cent. Yet water bills for domestic customers have increased by an average 67 per cent.

Investment mood upbeat

UK companies' investment intentions have risen in spite of tax increases, Lombard Business Finance said.

In June, 63 per cent of companies surveyed planned to purchase a major asset over the next three months, up from 61 per cent in March.

Companies are mainly investing to increase efficiency, rather than to expand capacity, according to Lombard, while the proportion of companies saying that the tax changes had caused them to cut investment plans was just 19 per cent in June, down from 27 per cent in March.

The retuning of Fiat's engine

The Italian group's big losses have overshadowed far-reaching changes in its culture, writes Andrew Hill

During its 95-year history, Fiat has often behaved as though it were an arm of the Italian government – a strict hierarchy with diplomatic, commercial and industrial functions parallel to those of the state, headed by a patriarchal chairman, Gianni Agnelli.

Over the last few years, however, Fiat, in common with Italy, has been struggling to change deep-rooted management and working habits. "Fiat today is a different Fiat compared with the company of five years ago," says Giorgio Garuzzo, chairman of Fiat's three core divisions – cars, commercial vehicles and agricultural and construction equipment. "We're not talking about revolution, because we have never sought to break with the past, but undoubtedly an evolution of far-reaching importance."

But as the group starts to recover from last year's record loss, the same questions are being asked about the "new Fiat" as about the new Italy: how deep do these changes go, and will they last?

The first indication that Fiat would attempt to change its culture came in 1989, when the group's blunt-talking chief executive, Cesare Romiti, presented 200 Fiat managers with a highly critical analysis of the problems facing the group, which he described as "sad, laggardly and bureaucratised".

Fiat Auto was the most obvious culprit. In spite of earlier efforts to reform the Fiat car business, the group's principal operation was heading for a new decade with an outdated product line – it was six years since the launch of the acclaimed Uno in the popular small-car range – and a reputation for poor quality.

That reputation was not helped by an unspoken assumption within the company that customers were prepared to compromise on quality if the price was low enough – a fallacy which was about to be exploded by more efficient Japanese car manufacturers. Protected from Japanese competition at home, and coddled by a comparatively buoyant Italian market, Fiat Auto had been able to defer important decisions.

This was dangerous, not only for the division itself, but for the whole group. Fiat operates in more than 60 countries and has 15 distinct activities, including aviation, railway rolling stock, chemicals, publishing and financial services. But Fiat Auto still accounts for more than half of group industrial turnover and nearly 70 per cent of group revenues are drawn from the three principal divisions (cars, trucks, farm and building equipment). The group's top managers are almost invariably drawn from these businesses.

Analysts now criticise Fiat Auto for moving too slowly and not anticipating the inevitable cyclical downturn in the car industry after the years of plenty. But Garuzzo points out that the company was working gradually on a change of management strategy from the end of the 1980s.

For example, Fiat started to introduce the "total quality" concept from 1989 across the group, attempting to change attitudes, reform relationships with suppliers and involve workers more closely in devising solutions to production problems. Garuzzo concedes this is "not a strategy that gives results overnight", but five years later it has spawned Fiat Auto's first "integrated factory" at Melfi, in southern Italy, which is producing the new Punto small car.

Melfi, which came on-stream this year, is one of the main reasons why Fiat believes the changes introduced over the last five years will stick.

There, Fiat is trying to delegate more responsibility to units of workers and managers. There is no separate building for central staff and the old blue-collar/white-collar distinction is abolished: everybody wears the same overalls, distinguished only by small coloured labels, and decisions are made by work teams on the factory floor.

"At Melfi, the worker doesn't exist any more" read a recent headline on an admiring article in Il Sole 24 Ore, Italy's business daily.

Practically, it is easier to establish an integrated factory from scratch – on a site such as Melfi, where production lines can be mapped out for ease of access and component suppliers located next door, for example – than impose it on to a well-established plant such as Turin's Mirafiori, originally built for a different production strategy.

Garuzzo admits as much: "Undoubtedly Melfi is a workshop for [the management strategy], because starting with a greenfield site is always more simple. There aren't any old concepts and no psychological resistance to overcome."

Fiat executives believe the enthusiasm of the Melfi workers, who are mostly in their mid-20s, compared with an average age of 46 at other Fiat factories, will infuse the whole group. However, Fiat unions claim that although Melfi's employees – drawn from a region with high unemployment – were keen on the project at the outset, disillusionment is beginning to set in as some of their high expectations are confounded.

Melfi is not the only element of the Fiat Auto strategy, however. Parallel changes in the company's approach to product development are also beginning to bear fruit. Fiat Auto has long since abandoned the accepted wisdom that you can introduce new basic models as rarely as once a decade and keep the range fresh with occasional restyling. At eight to 10 years, Fiat's product cycle in the mid-1980s was short compared with the industry average, but by the early 1990s, the changeover period looked sluggish, particularly when compared with Japanese competitors.

From 1991, the company began working on reducing this renewal cycle to five to six years. The full impact of this change will be obvious in 1996, by which time 18 new models should have been launched and the Punto will be one of the oldest Fiat models still produced.

Alas for Fiat, this heavy investment of time and money coincided with a reduction in the competitiveness of Italian industry, due partly to high labour costs. The competitiveness problem was eased in 1992, when the Italian currency was devalued and the link between wage increases and inflation cut. But it was at that point that the European car market, and Italy in particular, slipped further than anyone had predicted.

"We suddenly found ourselves with an extraordinary mix of problems to manage, issues to face up to and programmes to take forward," explains Garuzzo. "Our basic decision was not to stop any of the programmes which were going on, because that would have further damaged our competitiveness."

As a result, as Fiat has been eager to point out, although the group recorded its largest loss in 1993 – L1,780bn (£736m) after tax, extraordinary charges and minority interests – it also devoted a record L8,900bn to research and development and capital expenditure, much of it to improving Fiat Auto's sales network in preparation for the launch of new models.

Meanwhile, the number of employees in the whole group has fallen from more than 300,000 in 1990 to just over 260,000 in 1993, and in Fiat Auto from 133,000 to 120,000. Cuts in Italy have been eased by government-sponsored redundancy agreements, while the number of Fiat Auto employees abroad has increased.

But in spite of the confidence of top Fiat management, Susanna Camusso, national secretary responsible for Fiat at Fiom, the main Italian engineering union, believes the cultural changes have not yet permeated through all levels of the group. "There are people within Fiat who have chosen this new culture, but others who still think that the old system was fine," she says.

"Companies develop characters like people," agrees one analyst. "Sometimes after the age of 15, or even five years, or six months, there's nothing more you can do about changing that character."

As Fiat finally tries to reap the benefits of its painfully implemented management strategy, it must try to dispel three main concerns.

One is the danger that complacency will again set in as the recession begins to lift. Garuzzo and his colleagues say the risk of "decadenza" [decline, or decay] still exists, "but this new system of management which increases everybody's participation should create motivation internally to resist this trend". Whether this is true may not become obvious until the next downturn in the market, by which time it could be too late to amend the strategy.

A second risk is that Fiat's foreign plants – for example in Poland, Turkey and Brazil – begin to generate the sort of industrial relations problems which have largely been banished from the main Italian operations. Last week, for example, Fiat Auto's Polish workers voted to strike to try to force a 40 per cent pay increase.

Finally, there is the open question of the Fiat succession. Gianni Agnelli is 73 and Romiti is 71. Last year both of them decided to stay on rather than handing on the chairmanship to Umberto, Gianni's brother, this summer as originally planned.

Agnelli argued at the time that the market turmoil, the poor group results and the fact that Fiat had just launched a complex L5,000bn package of measures to raise cash meant investors did not want a new hand on the tiller. Some now believe the real reason was that neither Agnelli nor Romiti wanted a new chairman and chief executive to claim the credit for Fiat's recovery.

Certainly there was no hint of impending change at last month's shareholder assembly, where Agnelli forecast a return to profit for the group this year. But in a company attempting to eliminate unnecessarily hierarchical management and to create, in the words of one executive, "a flat and wide [management] unit", the dynastic structure of Fiat's top management is beginning to look increasingly out of date.

DESERT ISLAND MANAGER

Janet Reger

Janet Reger, the woman who made lingerie and luxury synonymous, is well-prepared for working from a desert island. Having once taken a three-week trip to Venezuela, she ended up staying three months, steering her company via a fax.

So, with that same fax and a telephone, what else would be vital for the Reger island office?
"I'd need a subscription to Women's Wear Daily. It's a trade paper printed in the US but which covers the world. I didn't have it in Venezeula but would need it for an extended period away from London."

And for recreational reading?
"The Bible and I'd actually read it from beginning to end which is something I've always wanted to do. There are so many stories it would keep me interested, give me food for thought and maybe even some spiritual comfort if I really got lonely."

A companion would combat loneliness. Who would it be?
"I'd like him to be good looking and a good conversationalist. It would have to be a him really. It would be difficult for two women to be on an island together. I'd also want someone who was useful, someone who could do all the jobs on the island."

One item to preserve sanity is allowed.
"A Sonic the Hedgehog game. It would keep me amused during those long tropical rainstorms when I was hut-bound. I find it absolutely compulsive to play."

What would you eat?
"Häagan Dazs ice cream – chocolate or coffee flavour, or preferably both."

And drink?
"Coffee. I really love coffee. It wouldn't bother me if I didn't have alcohol at all but I would miss coffee dreadfully."

What film would you take?
"I'm a regular cinema-goer but I can't think of a film that I could see over and over again. Maybe the film of my daughter's wedding would be good because it would remind me of all my family and friends back home."

In the office you can have one object to remind you of your early days in business.
"A coffee pot I bought in a market in Nazareth when I was there very early in my marriage. It was the only thing we quarrelled about in our various comings and goings. I left him several times and kept going back only to leave him again."

What would you most like about desert island life?
"Seeing everything from one step away. When I was in Venezuela I was better at making decisions. I was clearer and calmer. Here I get into a flap when people come to me with a problem because they come to me in a state of agitation."

You can impose one condition to compensate for your exile.
"I would need an increase in my business so I could stay away and we could have someone to replace me in the London office."

Desert island attire is pretty basic but you can take one luxury item to wear.
"Make-up, especially a bit of mascara. Once you have a suntan, you don't need much else."

Christine Buckley

Trying to unlock the treasure within

LUCY KELLAWAY

I am a normal person. I know this because a career counsellor has just told me so.

The other day I received a Perspex treasure chest bearing an invitation to a "dynamic afternoon of career psychodrama and hands-on interaction using a myriad of state-of-the-art techniques, presented by the experts, KPMG Career Consultancy". Thus it was that last Tuesday I found myself having my behaviour assessed, my lifeline read, my self-image examined in the company of solemn personnel directors from some of Britain's biggest companies.

The "state-of-the-art techniques" revealed variously that I am impatient (I knew this already), that I will never be the life and soul of the party (which I was distressed to discover) that I like being in control (I have been told as much before) and that I do whatever I'm told (which was news to me).

My first visit was to the image counsellor, who handed me some crayons and a large piece of paper. "Draw anything, an island, your family, anything," she said. I drew a picture of myself in a taxi in a tunnel – an image I chose because cars are the only thing I can draw and because the picture described my most recent journey. "That is a very strong image. It must be very strongly felt," she said, looking over my shoulder. She then asked if I was "expecting", and suggested that my anger at the situation might be to do with protecting the unborn child. I said I very much doubted it, and she reminded me that the point of these pictures was to bring hidden emotions to the surface.

A second expert invited me to plot my lifeline, marking the main events in my personal and professional life as highs or lows on a chart. I had trouble even beginning this exercise. I couldn't decide whether being born was a high or a low point – as far as I can remember (which is not at all) it wasn't really either.

I should have performed better with the computer, which asked me to write an imaginary newspaper headline and story about myself. But my mind went blank when it came to thinking up a sufficiently newsworthy future achievement.

Finally I replied to 108 repetitive questions asking whether my friends told me their closest secrets and whether they included me in their activities. According to this psychometric test my behaviour is "really quite normal".

There can be no doubt about it: this career psychodrama was more diverting than an afternoon in the office. But I am not sure how I would have felt about it had I been attending under normal circumstances. Usually the exercise takes a full week, and is paid for by companies as a parting gift to employees they are about to get rid of.

KPMG describes its exercise as follows: "In life as in career the treasure is really you. How to unlock it is the thing." I am sorry to have to report that the treasure that is really me remains as firmly locked up as ever. I can't even open the Perspex chest they sent me.

A friend has just supplied me with a good working definition of empowerment. His organisation has just jumped on that bandwagon, and when I saw him last weekend he was not looking good: pale and tired and drinking heavily. "Empowerment," he said, "is when your boss gives you all the boring parts of his job to do, and works half as hard himself."

Clare Spottiswoode may be wishing she had never heard of the job of gas regulator. Bad enough was that nonsense a few weeks ago about her private life, worse is the news that her architect husband has now turned down a small contract with British Gas simply because of his wife's position.

It seems most unfair. He has worked for British Gas in the past, long before his wife became involved in the industry. Moreover, the department which awarded him the business this time did not know there was any link between them.

Yet Spottiswoode understandably felt there was too much to lose. Her job depends on being seen to be impartial, and snide remarks about her protecting her husband's interests would not have been helpful.

This is no one-off case. There must be hundreds of couples where one is in public life, and the other working in a related area. Equally, there must be hundreds of potential conflicts, some of which are harmless, others less so. To have a blanket ban on a family member working in any area in which their other half wields power would be ludicrous. It would also make jobs in officialdom even less attractive than they are already.

Some people, Margaret Thatcher for one, have the personality and the power to tough it out when members of the family manoeuvre themselves into potentially compromising positions. But lesser officials need more protection and guidance. One solution might be to set up a body to look at individual cases. And yet there is something about a regulator that regulates the regulators that does not quite appeal.

READING MATTER

Condon on the money

Richard Condon was a late starter in the literary stakes, into middle age before he began writing. Now he's approaching 80, with 26 novels under his belt, and to judge from the new one, *Prizzi's Money* (Michael Joseph £14.99, 241pp) he's still going strong.

This is the fourth in his series about the New York Mafia: the film of *Prizzi's Honour* established his wider fame and, I hope, his fortune. But connoisseurs of Condon would argue that the early books have never been bettered. *The Manchurian Candidate*, which became a very good film, may have been the best. *A Talent for Loving* – which ends with the Indians riding to the rescue of the hero from the US Cavalry – was probably the funniest.

Sometimes the critics call Condon a satirist, sometimes a black comedian. The hallmark of all his fiction is the outrageous energy of his imagination, expressed in a prose which is baroque, even rococo, in its inventive extravagance. He is never happier, more confident, than when he is building an absurdly ornate cadenza of adjective, metaphor, paragraph. *A Talent for Loving*, for example, has page after page extolling the most exotic brands of cheese. And who can forget the wonderful scene in *The Manchurian Candidate* where Janet Leigh on a train journey talks down the Frank Sinatra character from a nervous breakdown?

Prizzi's Money has Henry Asbury, "adviser to presidents", a Croesus who has also been the Mafia's man in the White House for four administrations, arranging his own kidnapping for a $75m profit on the ransom. Thanks to his tricky wife Julia, it goes wrong, and Don Corrado Prizzi, aged 86 but still with a healthy appetite, surrounded by his usual team of endearing villains from the earlier books, is extremely cross.

Julia is the central figure and no doubt Hollywood's actresses will die for the part: "a tall woman, a statuesque grabber, with cheekbones as high as the heads on Mount Rushmore. Her glossy, blue-black hair was arranged flat against her head, like a flamenco dancer's, over large, dark, steady eyes like *periaktos*, those triangular revolving prisms used as scenery in the ancient Greek theater, eyes which seemed to mock the men in the huge room for somewhere taking the wrong turning."

Omertà clashes with *infamità*, international finance has rarely been described with less respect, and Condon's prose rises to its usual excesses. It is, of course, corn – the higher corn; clever, funny, forgettable.

J D F Jones

A few days in history

Choosing a book to read for the summer break? There are a number of histories that are worth considering.

Frauds, crashes, insider dealing and rampant anti-semitism – the racy world of 19th century London was the subject of David Kynaston's *The City of London: A World of its Own: 1850-1890* (Chatto), the first of a trilogy exploring how the City came to be regarded as the world's leading financial centre. Kynaston explains how Queen Victoria took a while to warm to the new breed of hustling money-makers, preferring to honour, according to a confidant, "the men who have raised themselves by patient industry and unswerving probity to positions of wealth and influence."

Quite what she would have made of unadorned table legs in the dining room was one of the themes of Michael Mason's *The Making of Victorian Sexuality* (OUP), which overturns many of our most cherished stereotypes of an age which was not that much more repressed than our own; 40 per cent of Victorian brides, reports Mason, were pregnant on their wedding day.

More sex and violence embellish Peter Gay's *The Cultivation of Hatred: the Bourgeois Experience, Victoria to Freud* (HarperCollins), the third of a four-part series on 19th century middle class culture.

Moving up the social scale, it has been a rocky period for books on the aristocracy. First, there was Tim Card's *Eton Renewed: A History from 1860 to the Present Day* (John Murray), an essentially friendly book which was over-shadowed by disclosures that the school's former headmaster, Anthony Chenevix-Trench, derived unhealthy pleasure from beating his boys.

This furore was accompanied by the publication of David Cannadine's *Aspects of the Aristocracy: Grandeur and Decline in Modern Britain* (Yale University Press), in which the author completed the demolition job he started with his *The Pleasures of the Past: The Decline and Fall of the British Aristocracy*.

The pick of the history paperbacks over the last few months is Linda Colley's epic *Britons: Forging the Nation 1707-1837* (Pimlico) and Roy Porter's *Myths of the English* (Polity Press).

Peter Aspden

EATING OUT

The Dorchester: a bar that works

A cosmopolitan friend, now living in Boston, Mass., always asks me whenever she passes through London if I have made any culinary 'discoveries'.

Today, given the number of restaurant columns in newspapers and magazines, and the publicity top chefs receive, such 'finds' are much less common than they were. However, when she asked me the question recently, I did say that I had had a surprisingly good lunch in the Bar of the Dorchester Hotel.

She was not impressed. She would rather not eat in hotel dining rooms, she said, finding them, and the hotel lobbies that lead to them, cold and off putting. The opposite was the case when I lunched at The Dorchester. The lobby was full, with deals seemingly being done at every table. By 15.00 the air was heavy with cigar smoke, testifying to the successful culmination of at least some of them.

The Bar itself was busy, with quite loud entertainment being provided by two female diners and their portable phones. These they used every few minutes to phone the office to find out the phone numbers of Fenwicks and Harvey Nichols, where they were obviously going to spend the afternoon.

The transformation of the Bar began a year ago, after The Dorchester ran a successful culinary promotion with the Hotel villa d'Este on Lake Como in Italy. The hotel's management then decided to convert what had not been the most popular bar in town into a bar serving good Italian food.

THE BAR AT THE DORCHESTER · 30·6·94 CHARLTON HESTON AND FRIEND.

Normally, when hotels decide on such metamorphosis they invest most heavily on the decor. This mistake has not been made here. Instead, The Dorchester has found in Paolo Sari, a 24-year-old from Treviso, a young, talented chef and handed him considerable culinary freedom.

He repays this by offering a mouthwatering range of cold antipasti (£12.50 lunch only); a subtle fish broth with garlic bread, that contains large pieces of salmon and John Dory (£12); a thick piece of turbot wrapped in a thin skin of potatoes and then roasted (£16.50); a Venetian speciality of pasta with a duck sauce (£12) and a coffee cream pudding that was as strong as any espresso (£5.50).

The Bar's wine list includes some of Italy's best names, Masi, Ceretto and Allegrini.

The Bar at The Dorchester, Park Lane, London W1A 2HJ (629 8888). Open Mon-Sat 1100-2400, Sun 1200-22.30.

Nicholas Lander

STYLE

All others are but vanity

All things in fashion are cyclical. And the return of the vanity case to the luggage of the international traveller is a perfect example.

However, the weighty "train cases" that Phileas Fogg carried around the world in 80 days, with their inlaid wood compartments and glass bottles, are not quite the thing for today's pacey lifestyle.

The most interesting of the new vanity cases are those which are light and yet functional. Although, if you can afford the Sky Caps necessary to carry your luggage, people like Tanner Krolle and Louis Vuitton still make those extraordinary hand-crafted pieces (which become heirlooms to a future generation) and have done so since the Victorian times.

Supermodels, usually the first with something practical for the daily flights, are sporting tough-looking cosmetic cases with reinforced edges by She-umura (£150 at Harvey Nichols) or the plastic vanity case by Bendels of New York in the store's distinctive brown and cream house stripe. This is more squashy – more washbag than handbag – and has foldable trays for jewellery and cosmetics. It goes inside a Prada rucksack or gets held as an extra piece of hand luggage and only needs to accommodate the mini bottle of Evian and a Phillipe Stark toothbrush if you travel extra light.

Gucci has a series of travel cases, including a rather serious but well thought out tan leather case at £470. It has room for bottles and vanity mirror, without being so heavy that you'd need a course of weight lifting before the trip.. Gucci's smaller round case (£145), reminiscent of a 1950s design, would take all the cosmetics you'd need for an overnight stay and fit neatly into a carry on bag.

What goes around comes around: vanity case of another era

Practical and inexpensive, Herve Chapelier provides the nylon washbag/vanity case, either in blue Oxford stripe or in smart plain navy, mustard red or black. (Stockists 071 589 5755). Prada, the status label of the moment, has several practical nylon bags in every size to fit neatly inside another bag. But Prada does not actually offer the vanity case or its modern interpretation yet.

Kathy Phillips, beauty director of Tatler

BUZZWORDS

Strategy

To succeed these days in any field from business and politics to sport and religion you need a strategy.

In the past week alone Wall Street analysts have questioned whether there is a strategy behind the proposed merger between CBS, the broadcaster, and QVC, the home shopping channel, and the British trade unions have called upon the government to deliver a strategy to create jobs.

The word derives from the Greek *strategia* (generalship) and entered English as *strategie* in 1688. It differs from *tactics*, which are immediate measures in face of an enemy, according to James' 1810 Military Dictionary. *Strategy* concerns something "done out of the sight of an enemy". The military origins translate into a language of sport or commerce through the shared concept of competition. Its derivatives, *strategic*, *strategist* and *stratagem* arrived in 1825 and 1838 respectively. The word relates to the medieval *stratagem* (an artifice or trick) conjured up again in Shakespeare's most warlike play, *Titus Andronicus*.

Since *strategy* is familiar in management, investment and politics, the standard business lingo, it was to be expected that one sample Financial Times last week had *defensive strategy* (politics), *strategy for reduced borrowings* (Elf), *investment strategy* and *long-term strategy* (Schroders) and also *strategy and technique* (World Cup).

The force driving technical uses of *strategy* is Game Theory, the mathematical analysis of conflict, usually in war or economics. Websters defines a game, the abstract set of rules players agree to or are forced to follow, as: "a procedure or strategy for gaining an end", and the OED as "a simulation of a contest...to test a strategy."

The idea of *strategy* dates from the original business-school handbook, Sun Tzu's 500BC "The Art of War".

Andrew St George

FINANCE

Taxing thoughts and bright ideas

Next time you are asked by your employer for ideas about how to make the business more efficient, why not suggest a staff suggestion scheme?

Companies as diverse as Toyota, the Japanese car maker, to Richer Sounds, the UK hi-fi retailer, have all found that some of the best ideas come from the staff. What is more, the Inland Revenue may be prepared to throw in some tax relief for good measure.

Payments under suggestion schemes are fully liable to income tax, in just the same way as a salary. But, according to David Cohen, partner at London-based solicitor Paisner & Co, in practice the Revenue is prepared to waive its claim to tax as long as strict conditions designed to stop the concession being abused are adhered to.

"Firstly, there needs to be a document setting out the scheme rules and those rules must allow all the company's employees to participate on equal terms. Secondly, an award can only be made for a suggestion which falls outside the scope of the suggester's usual duties. If it is the sort of idea which he is being paid his salary to think of, any additional payment will be fully taxed," says Cohen.

The Revenue must be satisfied that there is a genuine link between the payment being made to the employee and the gains which result to the employer's business.

"The scheme must require the employer to estimate the prospective financial benefits and the amount of the award must not exceed 50 per cent of the anticipated benefit in the first year following

implementation, or 10 per cent of the net benefit in a period of up to five years.

"The only exception to this is that payments of up to £25 can be made for suggestions which are rejected, provided they do have some intrinsic merit," says Cohen.

The maximum tax-free award for a suggestion which is implemented is £5,000. Any payment above this amount will be taxed at the employee's marginal rate.

Since the Revenue's conditions are complicated but do allow potentially significant amounts of tax to be saved, a company which wants to set up a staff suggestion scheme will be well advised to seek clearance from its Inspector of Taxes.

Scheherazade Daneshkhu

TRAINING

Always look on the bright side of life

Tired, stressed, feeling negative about your job and only capable of mumbling "not bad" when asked about your health.

What you may need is a dose of Jack Black, one of the UK's leading personal development trainers, whose 'performance' before his audience is like a secular version of Billy Graham and his evangelical Christian crusade.

Instead of redemption in the after-life Black, an ebullient Scotsman, offers his clients, including companies such as Glaxo, the pharmaceuticals group, techniques which "will give individuals the opportunity to get what they want out of this life".

Black, founder of Mindstore, is the British equivalent of Anthony Robbins, the US guru for self –improvement and motivation. Black's message is not new. It is that if somebody wants something badly enough he or she can re-programme the mind to get it.

Black argues that it is no wonder most of us feel bad because we spend our time being negative and moaning. He says that if the UK is to compete successfully against the Pacific Rim nations it must develop a more positive culture. If people change their thinking, he believes, they can change reality.

Ways at looking on the bright side start fairly simply. Black urges his clients not to say they are "not too bad" when asked about their health. "Instead, say you are feeling fantastic," he urges. This may not be how one is feeling. But say it enough times and the individual's brain ends up believing it.

Black's more sophisticated techniques for "re-programming" concentrate on making greater use of the right side of the brain. This is responsible for creative and intuitive thinking. Techniques include relaxation as well as "visualisation", which means creating images in one's imagination.

In this case Black urges his clients to build an imaginary house which would include, for example, a shower room, where daily worries can be imaginarily washed away.

Visualisation, he suggests, should be practiced up to three times a day for spells of up to 15 minutes. Black says that often, before a business meeting, he locks himself in the lavatory, or some other quiet place, to focus his energy through visualisation techniques.

Sounds crazy? Well, his techniques have attracted a respectable portfolio of clients, willing to pay up to £350 for a two-day seminar – individuals such as Sir John Harvey Jones and corporate clients like Abbey National, Texaco, Thorn EMI and Rangers football club.

Former clients speak with almost religious belief of Mindstore's techniques. Robert Pilkington-Miksa, a partner in J Rothschild Assurance says: "What you think is what you get. If you think you will fail you will."

Pilkington-Miksa adds that one does not worry about how the techniques work, but they do. "I was in financial services before my present job and if I called 10 people nine did not want to talk to me. Then it all started to change and the situation was very much reversed."

Lisa Wood

SPORT: LAURA THOMPSON

Oh so nice not having to care

The fun of this World Cup has been that I can take it or leave it. Caring too much about sport can literally make me ill: I smoked 30 cigarettes in two hours during the last frames of the snooker World Championships earlier this year, so desperate was I for Jimmy White to win. And the 1990 World Cup, glorious though it was, gave me perhaps one minute of pure pleasure within far too many hours of churning stomach pains.

However good this year's competition has been, the best thing about it has probably been the fact that England are not there.

I want to care about sport but I panic when the caring is a primitive, unstoppable thing, as it was when I watched England in Italia 90. I cared so much that I had no control over my feelings. The misery that this caused made me marvel at the people who willingly submit themselves to this degree of emotion every Saturday of the football season.

Of course, occasions such as the last World Cup are the ones that make sport worth engaging with. Never, never shall I forget the sensation that I felt when David Platt scored in the last minutes of England's game against Belgium: it was as if the whole of myself had been hurled into the net along with the ball. Obviously this World Cup has contained nothing comparable, indeed nothing very much at all that I shall remember. But it has produced an easy stream of lesser emotions. Not the least of these has been a rather mean-minded *schadenfreude*: a comfortable delight in observing the suffering of more successful teams than England, and in seeing their fans go through what I went through four years ago.

Yet one has to care a bit. Otherwise football matches, however exalted, would be almost always unwatchable. The English – and probably every other nation – are masters at fabricating preferences for themselves. This becomes ridiculous when the pretence at caring turns into a reality, and people find that they are worked up about something for which they have no real feeling (like the tennis career of Jeremy Bates, which engages most of its followers for only two weeks of the year). Still, to care when one can choose to stop caring is extremely pleasurable.

Hence England's interest in the Irish team. How much do the English really care about Ireland? Not very much at all. But the progress of the Irish gave England a pretend stake in the World Cup: they could watch, patronise, be generous, make jokes about the England B team, care and then suddenly not have to care at all. A transient relationship, undemanding and thus unrewarding – as such things always are – but far more enjoyable, in its way, than the inescapable anguish of love.

If England had been in the World Cup how, for example, would I have felt about those mad referees that have become the competition's talking point? Without England, I admit that they have been a source of comedy. It is the difference between having a row with a traffic warden, and watching somebody else have a row with a traffic warden. The first arouses an unbearable, frustrated anger; the second arouses sympathy, but also an appalled hilarity.

If England had been one of the teams in that Bulgaria-Mexico match, the one in which that Syrian referee was producing cards from his pocket like a malfunctioning robot magician, on the following day I should have been deliberately starting conversations with taxi drivers in order to get rid of my molten reserves of fire. Distanced as I was, however, I could not help but enjoy this magnificent farce that was being played out for me.

But it is all wrong, of course. Players can climb towards these few games for four years, and then be thrown back to the ground by the whimsical gesture of a power-crazed petty official who is probably consumed with jealousy for their youth, wealth and talent.

And what power these officials have! In tennis, if a referee makes what a player considers to be a bad decision, then the injured party can simply stop the game while he says exactly what he thinks of the referee's warped vision and warped mind. I am not saying that this is right, yet it is surely equally wrong that if one of those poor Bulgars or Mexicans had questioned the referee's card tricks they, too, would probably have been off the pitch.

But it is the faith that is placed in the official judgments that is the real problem. Cricket succumbed to the need for video evidence, to help in the making of difficult decisions – why can't football? Referees are ageing men who are expected to run around for 90 minutes (or, in this competition, for far longer – at 90 minutes these games are just getting started), to have a perfect view of every incident and to make the right judgment about it every time. Should they really be shaping the progress of the World Cup?

But football is an unfair sport, and in the end these referees simply reflect this. Over a period of time, a good team will win more often than a bad one. Yet in a single match anything can happen – not just because of mad official decisions, but because the connection between great play and goals is insufficiently strong. In that sense, football is more arbitrary than any other sport. I should hate to be in the position of, say, a Brazil supporter, knowing that my team was probably the best and knowing that it will probably lose to the Germans. should love it too, of course.

PEOPLE

The cup that runneth over

Jurek Martin explains why **Alan Rothenberg** – Mr Soccer USA – is poised to benefit from the match between the sport and his expertise

American lawyers are something else. *Outside the court* and boardrooms, they populate governments past and present (two Clintons, Christopher, Bentsen, and Baker for starters), the Congress (well over half the Senate have law degrees), Wall Street, opera houses and charities. Some own sports franchises. One of them is close to owning a whole sport.

That man, Alan Rothenberg, must be happy these days. But as the World Cup approaches its climax, he might also own up to moments of nervousness, as he and all those with a vested interest in the future of soccer in America contemplate the next step.

The happiness of the youthful 55-year-old Los Angeles *super-lawyer and past president* of the California Bar *Association is easy* to understand. Soccer's quadrennial global tournament is well on the way to be a sporting and commercial success, not a prospect necessarily held out for its first staging in the US when Rothenberg assumed control of the operation in 1990.

He is, as the mega-TV screens in many stadiums display before and after each match, chairman, president and chief executive officer of World Cup USA 1994 Inc.

He is simultaneously – and *not uncontroversially – president* of the United States Soccer Federation, the governing body of the sport in the US, and head of the management team behind Major League Soccer. To call him Mr Soccer USA is these days no exaggeration.

Even if his many public interviews in recent weeks have not disclosed a deep knowledge of what actually takes place on the field, he is no recent convert who merely spots a quick potential profit.

His involvement dates back to the late 1970s when he was part-owner of the Los Angeles *Aztecs of the now-defunct* North American Soccer League, an *investment, he has* said, that he was lucky to escape from alive.

He was soccer commissioner for the 1984 Los Angeles Olympics, learning much at the knee of its impresario, Peter Ueberroth, who showed how it was possible to turn a penny from international sporting events that previously had *made vast losses (viz the 1976* Olympics in Montreal).

That track record alone made him the favourite candidate of Fifa, the international soccer authority, to run the 1994 tournament.

Rothenberg draws no salary from World Cup USA 1994, a non-profit organisation, but he will be paid a one-time bonus when the ledgers are finally drawn up. This may be as little as $250,000, *according to his* supporters, and as high as $5m, in the opinion of his critics.

Either way, the sum will have been richly earned, since Rothenberg thrives on 100-hour work weeks and has had to forgo some income from his lucrative law practice. It is also *likely to be small in relation to* his larger investment plans for the sport, which, in turn, hang on the popularity and profits generated by the World Cup.

The figures are by no means in yet, but they are already *looking impressive.* Average attendance per match is around *67,000, about 19,000* more than in Italy in 1990, with the size and quality of American stadiums only a partial explanation.

That two Arab teams could attract 72,000 to a match held just across the river from New York City, where few natural fans of Morocco and Saudi Arabia can be found, is a testament to general fascination with soccer and good national and local marketing.

Television ratings, a vital determinant in the viability of all *professional sports*, have exceeded most expectations. The USA-Brazil *game on the* July 4 holiday, shown on ABC, the national network, was watched by about 10m Americans, a record for soccer.

ABC and ESPN together bid a modest $23m for the domestic TV rights, reflecting soccer's previously low national recognition, but the international rights fetched $275m.

Ticket sales, commercial sponsorship and other forms of *income could mean,* Rothenberg himself has estimated, gross revenues of around $1bn. Few opportunities to cash in have been left unexplored. Companies, including Coca-Cola, General Motors, Canon, MasterCard, and adidas, have paid up to $20m each to be officially associated with the World Cup, a total take exceed*ing $250m.*

Even that amount is probably much lower than the cost of the promotional activities undertaken by companies, in effect free publicity for the event. Merchandise licensing arrangements, *rock concerts and more besides* have helped swell the pot.

A critical ingredient was the involvement of the nine host cities, chosen from a list of 26 applicants. This may have provoked some local disputes – even in Los Angeles, of which Rothenberg is a conspicuous *booster – but appears to have* been broadly successful.

The almost complete absence of violence among fans and the estimated $4bn equivalent of foreign currency spent at local hotels, shops, bars and restau*rants has more than mollified* civic doubting Thomases.

So has the temporary summer employment offered to thousands of young people serving as ushers, guards, press aides, runners, drivers and "ball persons".

Profits at the end of the day will be split between Fifa, the international governing body, and the US organising operation. The domestic share may *approach $25m and therein lies* the controversy which Rothenberg's many soccer hats have generated.

The broad idea was that profits should be disbursed to the general cause of soccer in America at the grass roots level. This will still happen.

But, according to reports in both the Los Angeles Times and New York magazine the facts of which have not been disputed, World Cup USA 1994, headed by Rothenberg, has already paid $500,000 for a business plan for a new league to Major League Soccer, *controlled by Rothenberg. MLS* outbid two other contenders for the right to run the new league in submissions to the US Soccer Federation, whose boss is Rothenberg.

Further, $3.5m from World *Cup USA has been paid to MLS* for start-up costs and total funding from World Cup profits may exceed $6m.

Rothenberg has also said he would like to be commissioner of the putative 12-team league, though he may then face challenges to his control of the US Soccer Federation. But as commissioner he would control the disposition of franchises for the new league. He may want *to run one himself.*

Soccer in the US is, as even *his critics concede, a small and* underdeveloped pond, short on resources and competing personalities, in which Rothenberg is a very big fish. He resolutely denies any conflict of interest or any dealings that *would not stand up to scrutiny.*

If soccer is to take off in America after World Cup euphoria fades and sports like baseball, basketball and gridiron football reassert themselves, it is going to need a powerful man at the helm.

Once, fleetingly in the 1970s, *it had Pele who, in the twilight* of his career, played for the New York Cosmos, but the Brazilian superstar's legs faltered and so did the legs from under professional soccer. It is now played mostly indoors and *in obscurity.*

Alan Rothenberg may not know how to *kick* a ball but the evidence of the World Cup is that he sure knows how to set up the business of scoring goals.

NAMES IN THE NEWS

Graeme Hart's corporate shopping list

Graeme Hart will learn *tomorrow* if his audacious bid to become one of the most *powerful retailers in Australia* and New Zealand is still on track, writes Terry Hall.

Three weeks ago he launched a $NZ620m bid to buy Foodland, a troubled West Australian retailer. If the Australian Trade Practices Commission agrees, Hart will sell its Australian food stores to Coles Myers, and keep its *substantial* New Zealand operations – making him the *dominant figure in New* Zealand retailing.

He is already a leading player in Australian bookselling, and has substantial printing and stationery business in both countries.

Hart has achieved all this – *plus a personal fortune* of around $NZ600m – in just six years. *During* one of New Zealand's worse recessions he has won control of every known target he has gone after, marking him out as a worthy successor to Sir Ron Brierley, New Zealand's best-known *corporate predator.*

Hart left school at 15 and *started driving a tow-truck.* A year later he bought his own trucking business, and tried his hand at a variety of businesses before deciding – at the age of 31 – to study for his MBA at Otago University. *His big break came in 1988,* when he beat Brierley Investments to buy the Government Printing Office for $NZ23m. Some estimates of the GPO's more likely value were as high as $125m.

Since then Hart has not looked back. He manages his *growing portfolio of companies* with a tiny head office staff of seven, including a secretary and a receptionist. His former partner Colin Dewe says Hart customarily works 21 hours a day and his main recreation seems to be the "three hours left for sleep".

For years Hart has said he would retire at 40. But with little over a year to go, Hart's friends believe that this is one bid in which he is bound to fail.

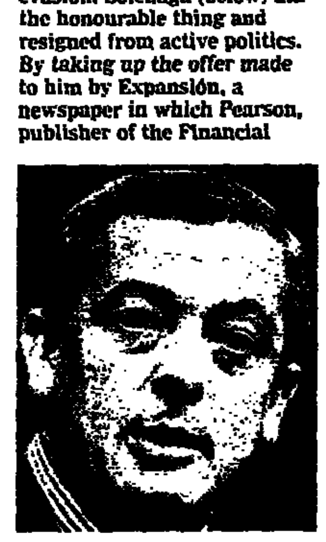
Solchaga takes up his pen

Spain's former economy *"supremo"* Carlos Solchaga, 50, who quit as parliamentary spokesman *for the ruling* socialist party two months ago, is determined to *keep his* name in the news, writes Tom Burns. He has been hired by Expansión, Spain's leading business newspaper, as *chairman of its advisory* editorial board and pens his *first column in today's issue.*

Industry minister between 1982 and 1985 and then promoted to economy and finance minister, a post he held until he left the cabinet last year, Solchaga played a pivotal part in many of Spain's key domestic decisions in the past decade.

He gave the green light to *partial privatisations* and took the peseta into the EMS. He was unpopular with the trade unions for social spending cut-backs, with business for maintaining high interest rates and with the international markets – which forced three peseta devaluations during his last year as minister.

However, in May, Solchaga received the unkindest cut when the former governor of the Bank of Spain, Mariano Rubio, whom he had appointed, admitted tax evasion. Solchaga (below) did the honourable thing and resigned from active politics. *By taking up the offer made* to him by Expansión, a newspaper in which Pearson, publisher of the Financial Times, has a shareholding, he becomes the most prominent Spanish politician so far to switch trenches and become a journalist.



Cleghorn's sugared path

Royal Bank of Canada, the country's biggest financial institution, has been through *a turbulent period over the* past three years, writes Bernard Simon. More upheavals are probably in store following the appointment of John Cleghorn as the bank's chairman and ceo.

Cleghorn, aged 52, is more brusque but also more down-to-earth than his urbane predecessor Allan Taylor, who is retiring after 45 years with the bank. While Taylor is known throughout the *bank* as Mr Taylor, Cleghorn – who *frequently travels economy* class – is simply John.

Cleghorn, an accountant who started working life as a sugar trader in his native Montreal, has been with the bank for 20 years. His path to the top became clear eight years ago when he was named president. RBC, with assets of C$169bn and 47,000 employees, was hit *hard by the recession.* In particular, it took a heavy knock from sour loans to the troubled real-estate and forest-products industries.

More recently, however, falling interest rates, a halting economic recovery and a strong contribution from the *securities business* have brought a turnround. The bank produced a 17 per cent return on equity in the first six months of its current fiscal year.

Cleghorn spearheaded the acquisition last year of Royal Trust, a failing trust and loan *company. Although the bank* swallowed a C$300m charge to cover the cost of integrating Royal Trust, Cleghorn won praise for bringing the two institutions together in a relatively trouble-free way.

After he takes over as ceo on November 1, Cleghorn is *expected to flatten the bank's* hierarchy and bring more young executives into the top ranks. Among the issues confronting them will be RBC's failure to carry out its goal of making a sizeable US *acquisition. The bank has so* far maintained that nothing has been available south of the border at a reasonable price.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE [illegible]
CHANCERY DIVISION

IN THE MATTER OF
FORTUNE OIL PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 24th June 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from *£13,500,000 to £12,500,000 and of the share premium* account of the Company by £4,524,724.10 (from £7,331,614 to £2,806,889.90).

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 20th July 1994.

ANY Creditor or Shareholder of the said Company *desiring to oppose the making of an Order for the* confirmation of the said reductions of capital and share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated 8 July 1994
Messrs Camerons
218 Strand
London WC2R 1AZ
Ref: FS
Solicitors for the above-named Company

THE INSOLVENCY ACT 1986
MEETING OF CREDITORS
H W BARBEE LIMITED
and
BARBEE CERAMICS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986, that meetings of the Creditors of the above named companies will be held.

at: WESSEX HOUSE, 19 THREEFIELD LANE, SOUTHAMPTON SO14 3QB
on: 15 JULY 1994
at: 12 NOON

for the purposes provided for in Sections 99, 100 and 101 of the Act.

Creditors should lodge particulars of their claims for voting purposes at Wessex House, 19 *Threefield Lane, Southampton SO14 3QB before* the meetings. Secured creditors (unless they surrender their security) should also include a *statement giving details of their security, the* date(s) on which it was given and the value at which it is assessed.

Any creditor entitled to attend and vote at these meetings is entitled to do so either in person or by proxy. Completed proxy forms must be lodged at *Wessex House, 19 Threefield Lane, Southampton* SO14 3QB not later than 12 noon on 14 July 1994.

A list of names and addresses of the company's creditors will be available for inspection free of charge from MD Rollings, authorised insolvency practitioner, Ernst & Young, Wessex House, 19 Threefield Lane, Southampton SO14 3QB on the two business days prior to the meeting.

DATED THIS FIFTH DAY OF JULY 1994
R Barbee
Director

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY
4% FIRST MORTGAGE
DEBENTURE STOCK

In preparation for the payment of the half-yearly interest due August 1 1994 on the above stock, the transfer books will be closed at 3.30 pm on July 15 1994 and will be re-opened on July 25 1994.

D R Kent, Assistant Secretary
62-65 Trafalgar Square, London WC2N 5DY
July 8, 1994

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Apollo Metals Cm. Pf. 4p
Australia NZ Banking A$0.11
Banco Bilbao Vizcaya Pts38.0
Barclays Bk Und. Fltg. Rate Prim. Cap. Nts. $189.58
Collateralised Mtg. Sec. (No.11) Class B Mtg. Bkd. FRN '28 £178.16
Crabtree 3p
Daicel Chem. Inds. 6.1% Bd. '97 Y610000.0
Ferraris Grp. 0.85p
First Ireland Inv. 1.52p
Fleming Far Eastern Inv. 1.5p
Jackson Grp. 1.3p
Kansai Int. Air. 8½% Gtd. Bd.'98 $85.0
Kobe Steel FRN 1996 Y63510.0
Lon. Smaller Co's Inv. Tst. 2.39p
Lucas Inds. 10⅞% Bd. 2020 £1087.50
Metropolitan Est. & Prop. Int. *FRN '95 Y113750.0*
Mitsui Fxd/Fltg. Rate Nts.'96 *Y560000.0*
Morris (Philip) $0.69
Pacific Dunlop 7% Sb. Cv. Bd.'96 $70.0
Prowting 1.7p
Reed Publishing (USA) 9% Gtd. Bd. '96 $900.0
Do. 9⅝% Gtd. Bd. '97 $962.50
Skandia Cap. Gtd. FRN '95 $932.12
Smart (J)(Contractors) 2.3p
Smith (James) Estates 3.1p
Warburg (SG) Cap. FRN '06 $189.58

■ **TOMORROW**
Bank of Scotland 3.18p
Conv. 9% Ln. 2011 £4.50
Conv. 9½% Ln. 2001 £4.75
Caisse Francaise de Devel. 12¼% Gtd. Ln. 2013 £306.25
Camellia 18p
Cleveland Tst. 2.3p
MBE Fin. Ser.B Gtd. Dual Basis Bd. 2001 $195.45
Northern Indl. Improvement Tst. 9p
Securitised Endowment Contracts 1.5p
Standard Chart. Und. Prim. Cap. FRN $222.78
Do. Ser.4 $180.37
Young & Co's Brewery 7.75p
Do. N/Vtg. 7.75p

■ **WEDNESDAY JULY 13**
Albany Inv. Tst. 2.8p
Bradford & Bing. Bldg. Scty. FRN '97 £132.63
Do. FRN 1998 £134.01
Common. Bk Aust. Dated FRN July '98 $172.83
Do. Und. FRN (July '88) $180.37
Hewlett-Packard $0.30
Hongkong & Shanghai Bk Prim. Cap. Und. FRN (Ser.3) $52.14
Marine Midland Fin. Gtd. FRN '94 $13.27
Nat West Bank Prim. Cap. FRN Ser.A $182.26
Unitas Var. Rate Sb. Nts. $113.75

■ **THURSDAY JULY 14**
Alexanders Hldgs. 0.3p
Do. A (Rest/Vtg.) 0.3p
Body Shop 1.25p
Burmah Castrol 11p
Channel Hldgs. 0.7p
DKB Int. Fltg/Fxd. Rate Gtd. Nts. '04 $19231.25
Finlay (James) 2.15p
Quadramatic 2.5p
Treasury 13% 2000 £6.50

■ **FRIDAY JULY 15**
Agricultural Mort. 5½% Db. 93/95 £2.75
Am. Medical Int. 9⅞% Un. Ln. 2011 £4.9375
ASH *Cap. Fin. (Jersey)* 9½% Cv. Bd. '06 4.75p
Barclays Bank 12% Un. Cap. Ln. 2010 £6.0
Bardon 1.2p
Barlow R0.18
BCE C$0.67
Bertam 2.5p
BET 2.25p
Brazilian Inv. Tst. $0.005
British Inv. Tst. 2.85p
Caradon 5¾% Sb. Cv. Bd. '02 £12.13
Charles Sidney 1.2p
Chrysler $0.25
Churchbury Ests. 4.2% Cm. Pf. 2.1p
Daily Mail & Gen. Tst. 4p
Do. A (N/Vtg.) 4p
Dares Ests. 10¼% 1st Mtg. Db.'12 £5.125
Edinburgh Inv. Tst. 3¾% Db. '98 £1.875
Forte FRN 1998 £1490.05
Franklin Res. $0.08
Govett Strategic Inv. Tst. 10⅝% Db. '16 £5.1875
Helical Bar Cv. Rd. Pf. 2012 2.625p
Hozelock 2.3p
Hydro-Quebec FRN 1999 *$10.11*
Johnson Fry Second Utilities 1.5p
Johnson Fry *Utilities* Tst. 1.6p
Kelsey Inds. 3p
Lasmo 9⅝% Cm. Pf. '96 4.8125p
McLeod Russel 2.75p
Morgan (JP) $0.66
Morland 3.06p
Murray Int. 3.9% Pf. 1.95p
North Surrey Water 4% Db. £2.0
Do. 4¼% Db. £2.125
Do. 5¼% Db. £2.625
Occidental Petroleum $0.25
Pacific Gas & Electric $0.49
Perkins Foods Cv. Pf. 2005 4p
Prudential Fdg. 8¾% Nts. '94 $87.50
Quaker Oats $0.53
Quebec Central Railway £2.50
Rhino Grp. 0.5p
Royal Bank Can. Govt. Stg. Fd. Inc. Ptg. Pf. 1p
Seiyu 6.15% Bd. 1997 Y615000.0
Sidlaw 4.5p
SmithKline Beecham A 3p
Do. Equity Units $0.05593
Spandex 4.9p
Sweden 11% Ln. 2012 £550.0
Tiger Oats R0.31
Treas. 9½% Ln. '99 £4.75
United Drug IR2.35p
Westbury 3.5p
Whessoe 2.3p
Witan Inv. 3.4% Cm. Pf. 1.7p
Young (H) 1.2p

■ **SATURDAY JULY 16**
Anglo & O'Seas Tst. 4½% Cm *Pf. 1.575p*
Euro. Inv. Bank 9% Ln. 2001 £225.0
Treas. 8½% Ln. 2007 £4.25

■ **SUNDAY JULY 17**
Treas. 2½% I.L. 2024 £1.8122

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Drayton Korea Trust, 11, Devonshire Square, E.C., 10.00
Kleinwort Endowment Policy Tst., 10, Fenchurch Street, E.C., 12.30
Norcros, The Brewery, Chiswell Street, E.C., 12.00
Northern Investors Co., County Thistle Hotel, Newcastle upon Tyne, 1.00
PowerGen, International Convention Centre, Birmingham, 11.00
BOARD MEETINGS:
Finals:
Bromsgrove Inds.
Cook (DC)
Drew Scientific
Ellis & Everard
Hamlet
Shield Diagnostics
Tamaris
Tomkins
Interims:
Barr (AG)
First Philippine Inv. Tst.
Gartmore British Inc. & Growth Tst.
Low & Bonar

■ **TOMORROW**
COMPANY MEETINGS:
Airflow Streamlines, Northampton Moat House, Silver Street, Northampton, 12.00
Bertram Hldgs., Founders Hall, 1, Cloth Fair, E.C., 12.00
British Airways, Barbican Centre, Barbican, E.C., 11.00
Camellia, *Athenaeum Hotel, 116,* Piccadilly, W., 10.30
Davenport Knitwear, Allen House, Newarke Street, Leicester, 11.15
Dawson International, Caledonian Hotel, Edinburgh, 12.00
Fleming European Fledgling Investment Trust, 25, Copthall Avenue, E.C., 12.00
Flextech, Halkin Hotel, 5, Halkin Street, S.W., 12.00
Friendly Hotels, New Connaught Rooms, 61-65, Great Queen Street, W.C., 11.00
Great Portland Estates, *Cafe Royal,* 68, Regent Street, W., 12.00
Henderson Administration, 3, Finsbury Avenue, E.C., 12.30
Johnson Matthey, National Gallery, *Trafalgar Square*, W.C., 12.00
London & Metropolitan, 20, Fenchurch Street, E.C., 11.00
Rowe Evans Investments, Founders Hall, 1, Cloth Fair, E.C., 12.30
Young & Co's Brewery, Earls Court Park Inn Int., Lillie Rd, Fulham, S.W., 4.00
BOARD MEETINGS:
Finals:
Birse
Electron House
Equity Cons Inv. Tst.
Jacques Vert
Real Time Control
Rexmore
Saville
Tams (John)
Triplex Lloyd
Wood (John D)
Wyko
Interims:
General Cons Inv. Tst.
St. Modwen Properties

■ **WEDNESDAY JULY 13**
COMPANY MEETINGS:
Albany Investment Trust, Port of Liverpool Building, Pier Head, Liverpool, 2.30
BOARD MEETINGS:
Finals:
Bulmer (HP)
Colorvision
Gray Electr.
Fleming Int. High Inc. Inv. Tst.
Malvern UK Index Tst.
PSIT
Secure Retirement
Tritest
Interims:
BWD Secs.
Owners Abroad

■ **THURSDAY JULY 14**
COMPANY MEETINGS:
BAA, Queen Elizabeth II Conference *Centre, Broad Sanctuary, S.W., 11.30*
Bridgend Grp., Stocks Hotel & Country Club, Stocks Road, Aldbury, Tring, Herts., 10.30
British Investment Trust, Donaldson House, 97, Haymarket Terrace, Edinburgh, 11.00
Dares Estates, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Gartmore Shared Equity Trust, 16-18, *Monument Street, E.C., 10.15*
Gartmore Value Investments, 16-18, Monument Street, E.C., 10.00
Marks & Spencer, Grosvenor House Hotel, Park Lane, W., 11.00
Meyer International, Waldorf Hotel, Aldwych, W.C., 12.00
Mezzanine Capital & Income Trust 2001, 41, Tower Hill, E.C., 11.00
Parkland Grp., Albion Mills, Greengates, Bradford, 11.30
Penna, Orion House, 5, Upper St. Martins *Lane, W.C., 10.00*
Piysu, The Brewery, Chiswell Street, E.C., 12.15
Salvesen (Christian), Sheraton Hotel, Festival Square, Edinburgh, 11.00
Storehouse, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
BOARD MEETINGS:
Finals:
Barbour Index
Druck
EFM Japan Tst.
Fleming Geared Inc. & Assets Inv. Tst.
Great Universal Stores
Hampson
Jones Stroud
Peel
Pelican
Prism Leisure
Stanley Leisure
Stewart & Wight
Interims:
BPP
Fleming American Inv. Tst.
Kershaw (A)
Rank Org.
Throgmorton Tst.
Transport Development

■ **FRIDAY JULY 15**
COMPANY MEETINGS:
Amersham Intl., Royal Society of Medicine, 1, Wimpole Street, W., 11.30
British Land Company, *May Fair Hotel,* Stratton Street, W., 12.00
Brown & Jackson, 135, Bishopsgate, E.C., 5.00
NSM, 30, Furnival Street, E.C., 11.00
Proteon, 135, Bishopsgate, E.C., 12.00
THORN EMI, London Marriott Hotel, 10, Grosvenor Square, W., 11.30
BOARD MEETINGS:
Finals:
Investment Co.
Moorgate Inv. Tst.
Interims:
Aberforth Smaller Co's Tst.
Amicable Smaller Enterprises Tst.
Automated Security

Company meetings are AGMs unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

MEDIA FUTURES

Just how hot is Diller's sizzle?

Martin Dickson reports on the man behind a $7bn proposal to merge QVC and CBS

Two of America's biggest takeover bids in the past six months have been multi-million dollar bets on the talents of a single individual: top Hollywood executive Barry Diller. Can he really be so very special?

The question may be raised this week at a board meeting of CBS, the US television broadcasting network, which will vote on the recently proposed $7bn merger between CBS and QVC, a much much smaller television home shopping network headed by Diller. CBS would buy QVC, but Diller would become chief executive of the combined group.

CBS shares rose strongly on the merger announcement, partly because of hopes this might flush out a hostile bid for the company, but also in the expectation that Diller will inject fresh vitality into the network's programming.

What Hollywood calls the "Diller sizzle" also enabled him to raise $10bn from investors and banks at the start of this year to support an unsuccessful bid for Paramount Communications, the film and book publishing company, which was ultimately acquired by media group Viacom.

This faith is based on the 52-year-old Diller's impressive track record over the past two and half decades at master-minding commercially successful films and television shows. Yet there is a danger of over-inflating his reputation and creating a "cult of Diller," based on the proposition that everything he touches inevitably turns to gold.

Being a successful Hollywood executive requires a rare combination of talents: a hard head for business, a gut instinct for popular taste, and an ability to nurture yet control creative individuals who may be wildly unconventional, profoundly egotistical and more than a trifle paranoid.

"Barry," says one leading Hollywood figure, "has been able to follow that fine line between being a responsible financial executive and allowing talent enough room to go out and create something very special."

The same can be said of a tiny handful of other Hollywood executives, but Diller has achieved his track record in a much greater diversity of film and television contexts than any of his peers – and in ways which show a gambler's delight in proving conventional wisdom wrong.

The son of a wealthy Beverly Hills real estate developer, he dropped out of university and joined the film industry by way of the mailroom of the William Morris talent agency. He rose rapidly through the ranks of the ABC television network in the early 1970s, pioneering ideas such as the "Movie of the Week" and the television mini-series.

In 1974, aged only 32, he was appointed chairman of Paramount Pictures, one of the big seven Hollywood film studios. For the next 10 years he presided over what was widely regarded as a golden age, with hit films which included *Saturday Night Fever* and *Raiders of the Lost Ark*.

He quit Paramount in 1984 after clashing with Martin Davis, the new head of its parent company, and joined the Fox studio shortly before Rupert Murdoch added it to his News Corporation media empire.

Together Murdoch and Diller set out to do what most people in the industry regarded as an impossible folly: turn Fox into a fourth national broadcasting network, alongside ABC, CBS and NBC.

After a hesitant start they pulled it off, but in early 1992 Diller resigned, saying he "yearned" to be an entrepreneur like Murdoch, and wanted to run a business of his own.

There then followed a 10-month Odyssey in which Diller cross-crossed America, analysing the future of the converging entertainment, computer and telecommunications industries.

It was a period in which he acquired the mystique of an entertainment "visionary" – though his public pronouncements suggest he has little clearer idea than anyone else where the brave new world of "multimedia" entertainment is leading.

The sojourn ended in a manner which shocked the Hollywood glitterati. Diller announced in December 1992 that he would become chief executive of QVC, a cable television shopping channel, the merchandise of which included tawdry costume jewellery and tacky knick-nacks.

He let it be known that he saw QVC as the cutting commercial edge of a technological revolution which would transform American television: inter-activity, allowing viewers to summon up a cornucopia of goods and entertainment at the touch of a remote control button. QVC, moreover, was to be just the first step in the creation of a broad-based Diller entertainment empire.

CBS could turn out to be the second step. Former colleagues say he would bring to the network an extraordinary intensity of of energy and an ability to spot creative talent, use it in a context that may not be immediately obvious, and give it free rein.

But while his management style is generally hands-off, he also has a tendency to swoop down on a business and ask the right questions.

He also has a reputation for impatience, intimidation and for not suffering fools gladly. Colleagues suggest this is due in part to his tendency to play devil's advocate, opposing ideas put up by his staff to test how well they have been thought out.

Diller: impressive track record at master-minding commercially successful films and TV shows

"He likes people who are so sure of their ideas they will lay down under a train to get them done," says one long-time associate. "If you're not ready for someone to challenge your ideas, then don't work for Barry Diller."

Diller has a great deal to prove on the much larger stage he now wants to command. At QVC, for example, he has done much to enlarge and improve the quality of its programming. But the group's sales growth and gross profit margin dipped in the first quarter of this year.

Diller has yet to show that the up-market American consumer is ready for electronic shopping, and he faces increasing competition from established entertainment and retailing giants, who are also preparing to gamble on the sector.

Nor has he been very explicit about his plans for CBS and how a broadcasting network fits into his vision of interactivity. Indeed, he appears to have changed his views on broadcast television over the past year: in an interview given not long after he joined QVC, Diller was quoted as rejecting the idea of owning a TV network: "It would be fun, but even as I say it, I bore myself."

This very private man also has to prove he has the temperament to run a large, publicly-quoted company, and be a successful entrepreneur like his mentor Murdoch.

First, however, he has to capture a big enough vehicle for his talents, and he badly needs to win CBS: to lose one multi-billion dollar bid may be regarded as misfortune. To lose two might seriously dent the cult of Diller.

Investors move into Vietnam

By Victor Mallet in Hanoi

An enduring memory for many first-time visitors to Vietnam is the sight of apparently destitute street vendors and barrow boys squatting on the pavement, reading books, magazines and serious newspapers.

Vietnam is poor, but nearly 90 per cent of its 70m inhabitants are literate. The economy, furthermore, has started to expand rapidly since the communist government embarked on a series of economic and financial reforms in the late 1980s.

This combination of literacy and economic growth has encouraged a growing number of foreign companies to seek investments in the potentially lucrative Vietnamese print media.

At the end of May, Australian Consolidated Press, in which businessman Kerry Packer and his family have a large holding, bought 46 per cent of the company that manages and edits the Vietnam Investment Review, a periodical published in English and Vietnamese editions; ACP did not disclose the price, but the stake is believed to have cost more than $2m.

In June, Sondhi Limthongkul, the Thai publisher whose Manager group owns newspapers in Thailand and the Hong Kong-based magazine Asia Inc, signed an agreement to upgrade the state-owned English-language daily Vietnam News.

But for the time being the biggest foreign player in the Vietnamese media is Ringier, the Swiss publishing group which was able to build on its experience of launching business publications in post-communist eastern Europe.

Ringier runs four titles in Vietnam, including the weekly Vietnam Economic Times with a circulation of 37,000 and New Fashion, which sells 35,000; both are in Vietnamese. The company also launched a monthly English-language version of the Vietnam Economic Times earlier this year.

"The lesson we learned is that if you go very early into an emerging market and build up a position very rapidly, then you're well set for the future," says Alain Jeannet, Ringier's project manager for Asia. The company has spent hundreds of thousands of dollars on Vietnam in the past 18 months, but expects its two main publications to pass break-even point later this year.

The foreign partners in Vietnamese newspapers and magazines all speak of their plans to upgrade the publications they manage. They can certainly increase advertising revenue and improve production, distribution and presentation, but their influence over editorial content is severely restricted - especially when it comes to politically sensitive news.

Only state-approved organisations can own press titles in Vietnam, and foreigners merely sign "co-operation contracts" giving them a right to a share of the profits.

The Vietnam Investment Review, for example, is managed by Australians but published by the State Committee for Co-operation and Investment, while the Vietnam Economic Times titles run by Ringier come under the auspices of the Association of Vietnamese Economists.

Control of news by the government is unlikely to be relaxed soon, and companies like Ringier are concentrating on areas such as business information and fashion where they believe they can make money without getting into trouble. New Fashion's circulation could be boosted to 100,000, says Jeannet.

ARCHITECTURE

Central Chelsea oasis

Colin Amery discusses a brave new house from Anthony Collett

One of the rarest things to find in Britain at the moment is a newly-built, architect-designed house. It is one of the tragedies of architectural life in the UK that so few people build themselves a new house.

There are various reasons for this. The difficulty of finding a site, especially in or around a major city; the endless and irksome planning regulations that are enough to deter a potential builder; and the inclination to buy the implied social status that comes with an old house when new money is made.

The lure of the old is a very real problem in the UK. When you make money in the US, Germany or Japan, the natural thing to do to build a new house. This is wonderful for architects and very good for the progress of architecture. Houses are the natural place for architectural expression and for that fusion of ideas between client and architect.

In London recently I was excited to be shown an exceptional new house in an unexpected place – a very central site in Chelsea.

Architects Anthony Collett and Associates, working closely with the developers Toyoko Metropolitan Company, took on the conversion of Chelsea Old Rectory into a luxurious London house and as part of the development was able to build a new house on a long, thin site between the rectory garden and the Kings Road.

Initially it must have seemed a very unpromising site – between the backs of the shops and the rectory garden. Any estate agent would probably have recommended that a routine development of mews houses was the best option. Luckily Collett came along, an architect with imaginative and practical ideas. He saw the potential for one remarkable house.

He and his development partners succeeded in breaking the mould by not following estate agents advice and took a speculative risk by designing a significant single house to a very high and original architectural standard.

It is unusual in that the major part of the house extends right to the external boundaries of the whole long, narrow site. This not only produced the largest floor area possible for the house, it also gave the architect the opportunity to include in the plan three internal courtyards.

This gives the house the atmosphere of a Roman atrium house but the architectural style does not ape classicism – it is its own clear, modern and yet characterful idiom. From the street you see very little, two gates in the wall – one leading through the garden to the front door, and the other to the garage.

The first surprise is the formality of the white entrance facade with its small dome and very tall copper clad door. Once you are inside the reason for the dome becomes clear. It provides dramatic top light for the circular entrance hall and certainly imparts a sense of scale and dignity to the building's entrance.

It is light that is the key to the success of this house. It is brought in through the courtyards and the skilful use of top light in the corridor and double height volume of the drawing room.

Both the dining room and the drawing room look on to the first and largest courtyard garden – which in summer is really a third reception room as it is completely private and enclosed. These major entertaining rooms have a cool elegance about them with their understated detailing and variety of scale. The house would suit a collector of modern art as it would respond well to large-scale paintings and sculpture.

At the heart of the house is a small study and library, where Anthony Collett shows the advantages of being an architect who is also an experienced interior and furniture designer. The library is panelled in timber and has a simple modern, green marble fireplace – everything is simply detailed, while retaining a sense of tradition in the use of good materials.

This sense of solid materials and clear design continues around the second courtyard area, which is the garden for the indoor swimming pool. The pool, although indoors, opens into the courtyard and is lit by a large glass skylight, which encourages a sense of being almost outdoors as you can swim and look up at the sky. The floor of the 8¼ metre long pool is tiled in a chequer-board pattern, with granite steps leading down into the water.

The third element of the house has a very different character to the lean and elegant entertaining rooms. It is a two-storey pavilion built around another garden and linked by an interesting staircase to the rest of the house. This is the private realm – guest bedrooms and, on the first floor, a complete family suite that feels entirely self contained. This has the best views over the newly-planned rectory garden, which is one of the largest private gardens in London.

While this is clearly a luxurious house, that needs its separate zones for services and staff, it has many architectural lessons for urban living. It demonstrates the virtue of the courtyard plan for allowing both privacy and outdoor space on a confined site. Stylistically Collett and Associates shows it is possible to provide a sense of elegance and great material comfort by using modern design and excellent materials.

Collett's catholic approach to design allows the drama of the domed entrance hall and the coolness of the simple high reception rooms. The use of this oddly shaped pocket of urban land also demonstrates that it is possible to develop imaginatively in the inner city – in a way that allows for civilised private life in an elegant setting and architectural achievement of a high degree.

CONTRACTS & TENDERS

BUSINESS TRAVEL

Air Inter strike

The French domestic airline Air Inter will cancel one third of its flights tomorrow because of a one-day strike.

The airline has asked passengers to transfer bookings to today or Wednesday when it has laid on extra capacity.

Air Inter unions called the strike, the fourth in recent months, to demand autonomy from the loss-making carrier Air France and access to international routes in compensation for opening the airline to foreign competition.

The European Commission ordered some of Air Inter's most lucrative domestic routes to be opened to foreign airlines within six months.

Earlier strikes by Air Inter unions took place on May 17, June 2 and June 7.

Mercury flight call

Air UK will be the first European airline to offer its passengers a range of in-flight services via the Mercury Flightlink system when it is installed on selected routes early next year. The service, a digital air-to-ground communications system, will allow passengers to access a range of information services while in the air.

As well as being able to make in-flight telephone calls, passengers can receive news, weather and financial reports and make hotel and car hire reservations.

Travellers will access these services via a seat-back colour screen and an armrest mounted handset.

Swiss departure tax

Some travellers to Switzerland will be less hard hit by the government's new departure tax on flights from UK airports than they might have feared, writes *David Owen*.

Sir John Cope, the paymaster general, has announced that flights to Basle and Geneva will be subject only to the lower £5 duty rate when the tax is introduced in October, and not the £10 rate applicable to non-UK or European Union destinations.

The change is not due to a rare bout of Treasury generosity, but to the difficulty of enforcing the higher rate.

As Sir John explains, the two airports are in "the unusual position" of straddling Switzerland and France – an EU member-state – allowing passengers to choose into which country to exit the airport.

"It would therefore be impossible to charge the higher £10 duty rate, as there is no distinction on a passenger's ticket to indicate whether he intends to enter Switzerland or France," Sir John reasons.

Taiwan typhoon

Typhoon Tim lashed eastern Taiwan with strong winds and heavy rain yesterday, forcing the suspension of flights to two offshore islets.

Taiwanese officials said an important highway in Hualien city was closed because of landslides set off by the torrential downpour.

In the Philippines, the Manila weather bureau said another tropical storm, Vanessa, had developed in the South China Sea and was bringing strong winds and heavy rains to the main Philippine island, Luzon.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	30	31	32	31	32
Hong Kong	32	32	31	31	30
London	27	29	27	28	27
Frankfurt	30	32	31	30	30
New York	27	31	32	34	30
L Angeles	27	28	29	28	29
Milan	30	30	31	30	31
Paris	29	30	30	30	31
Zurich	29	30	29	28	28

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

A US agency plans to save clients money by cutting out extras such as frequent-flyer schemes, writes **Richard Tomkins**

Airline perks in peril

A few weeks ago this page asked whether employees travelling on company money should be allowed to keep frequent-flyer points for themselves. Most who responded thought they should. But the question will no longer arise if Mr Kevin Mitchell, founder of a new US company called Business Travel Contractors, has his way.

Mr Mitchell is the business traveller's nemesis. He believes that companies are being ripped off by frequent-flyer schemes and other incentives offered by airlines. So he has come up with a scheme that would slash the cost of corporate air travel (and, incidentally, make money for Mr Mitchell) by wiping out the perks.

It is no secret that the frequent-flyer system, where a passenger receives points, or miles, towards free tickets for future flights, is open to abuse. Some employees may make unnecessary business journeys to accumulate miles for their personal use; others may choose unnecessarily long and expensive routes; still more may travel with certain airlines to earn miles in their frequent-flyer programmes when other airlines would have charged much less for the same journey.

Frequent-flyer schemes, however, are not the source of concern to employers. In the US, as elsewhere, most big companies use travel agents to handle their air travel requirements. The travel agents make their money from the standard 10 per cent commission they get on each ticket sold.

But airlines also offer loyalty bonuses, known as overrides, to travel agents which sell enough of their tickets, plus allowances known as soft dollars that can be exchanged for free tickets, free upgrades and other perks. It is small wonder that companies sometimes question whether the advice they are getting is as unbiased as they would like it to be.

Mr Mitchell says it will cut total corporate travel costs by a minimum of 20 per cent

Mr Mitchell says many companies believe the whole system is rotten, wasteful and inefficient. The solution, he says, is to scrap it. He wants airlines to introduce special fares for their corporate customers that would carry no commissions, no overrides, no frequent-flyer points, and no other bonuses of any kind.

Stripped bare of all the associated costs, these so-called business contract fares would be much cheaper than today's. They would also be simpler to understand because they would be strictly mileage-based.

In this new, perk-free era, companies would still use travel agents to make their travel arrangements. But the agents would no longer get commissions from the airlines: instead, they would be paid for their services by their corporate customers.

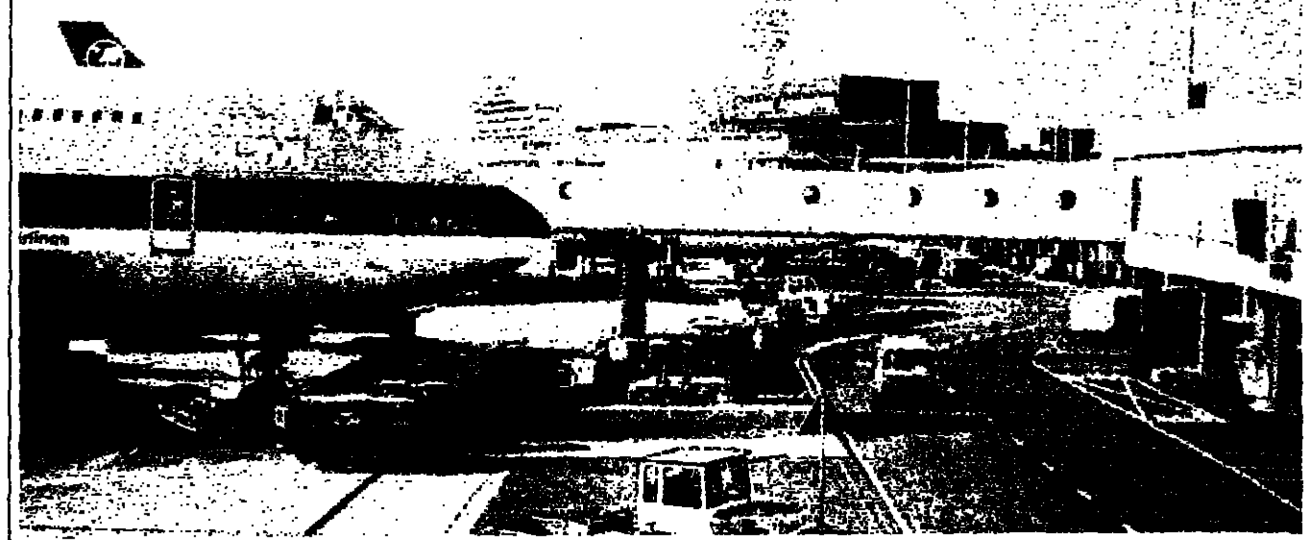
Mr Mitchell's Business Travel Contractors, which is based in King of Prussia, Pennsylvania, would make its money by representing companies in their fare negotiations with the airlines.

It is tempting to dismiss Mr Mitchell as an idealist. But as the former vice-president of conference and travel management for Cigna, one of the biggest US insurance groups, he knows what he is talking about. Significantly, he has already signed up 17 US companies to fund the development of his scheme, including Cigna, Bell Atlantic, Black & Decker, Chrysler, Colgate-Palmolive, General Motors, Gillette, Merck, Whirlpool and Xerox.

Will the idea fly? Mr Mitchell says it will cut total corporate travel costs by a minimum of 20 per cent, so companies seem likely to support it. US travel agents are also interested, because a fee-based system could offer them a more secure flow of income than commissions, which are vulnerable to the downward pressure on air fares.

The biggest resistance seems likely to come from the airlines, which like to think that incentives are a cost-effective way of putting bodies in seats. Earlier this year, International Business Machines, the computer company, failed in an attempt to persuade two US airlines to eliminate frequent-flyer points for IBM employees in return for lower fares.

But Mr Mitchell claims the airlines are secretly desperate to get off the treadmill of an ever-rising volume of overrides and frequent-flyer awards. As soon as he has 40 companies behind him, he plans to test that theory by making the airlines an offer they can – but possibly won't – refuse.



Schiphol airport: now a happier bargain hunting ground

Dutch treat for the tightwad

Alan Shaw reports as Schiphol removes upper limit on tax-free sales

If you cannot resist that wide-screen multi-function television set in a European airport tax-free shop, your biggest problem now is how to fit it into the overhead locker. The old question of how to look innocent sauntering through the blue channel often no longer applies, thanks to increasing competition.

Schiphol airport in Amsterdam has just removed the upper limit on tax-free sales for passengers flying to other European Union destinations. Schiphol retailers will now pay the value added tax on sales above Ecu90, the current limit on tax-free purchases for intra-EU journeys.

Until July 1, Schiphol insisted that its tax-free retailers limited intra-EU passengers' purchases to Fl 250 – the Dutch equivalent of Ecu90 – per trip. That limit has now been abandoned, in part because of competition from other airports.

The Dutch initiative matches a similar offer by BAA, the UK airport operator. BAA has paid the tax on purchases above the limit without much fanfare since the single market came into force, but it is now seeking a higher profile for its offer.

Before deploying credit cards too freely, travellers should remember:

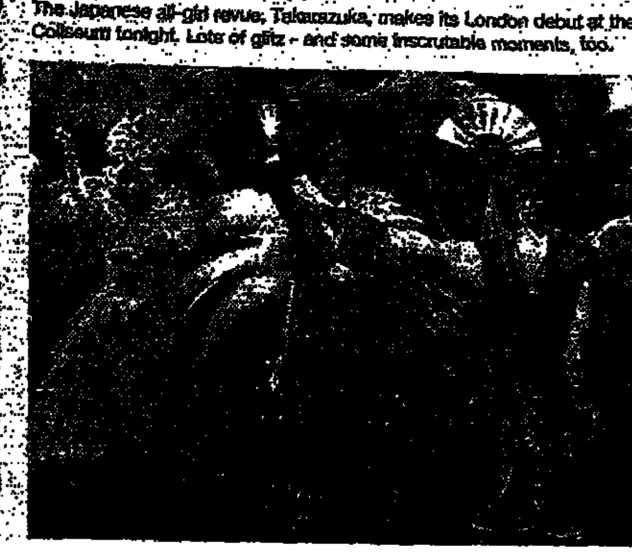
- The change applies only to tax-free purchases - duty-free tobacco, alcohol and perfume allowances are unchanged.
- Your tax is paid only if you are flying within the EU. If your destination is elsewhere, you remain liable for any taxes that apply. For regularly carried items, like laptop computers, it is worth retaining receipts to prove their provenance.
- Since some high-ticket sales are now being subsidised, it behoves the traveller to re-examine the assumption that "tax-free" prices are necessarily bargains.

ARTS

OPENINGS

LONDON COLISEUM

The Japanese all-girl revue, Takarazuka, makes its London debut at the Coliseum tonight. Lots of glitz – and some inscrutable moments, too.



ASTORIA

Few singers make suffrin' music so sweet as blues balladeer Bobby Bland, who plays the London Astoria on Tuesday. One of the original soul stylists, Bland's mellow vocals on a string of '60s hits shaped the sound of the new generation of soul singers. He is accompanied on this rare visit by fiesta R&B belter Irma Thomas – she of "You can have my husband, but don't mess with my man," fame.

VERBIER

The western Swiss alpine resort of Verbier is the unlikely venue for a new festival, linked to a summer academy for talented young instrumentalists. The opening concert tomorrow is given by Zubin Mehta and the Young Israel Philharmonic, which will serve as the festival's resident orchestra. Over the next two weeks, some of the world's busiest soloists will make their way to Verbier to enjoy the mountain air, share their experience in masterclasses and give recitals.

SAVOY THEATRE

The 1963 musical "She Loves Me" is about little things – staff squabbles in a 1930s Budapest parfumerie and two correspondents in a Lonely Hearts Club – but it is not a little musical. Written by the team that wrote "Fiddler on the Roof" (Jerry Bock, music; Sheldon Harnick, lyrics), it has been enjoying a triumphant Broadway revival since last year. "She Loves Me" opens in London on Tuesday at the Savoy. Scott Ellis, director of the current Broadway staging, directs this one too; the cast is led by John Gordon-Sinclair and Ruthie Henshall.

LOS ANGELES

The Dodger Stadium is the venue of the Three Tenors' first concert together in the US. Jose Carreras, Placido Domingo and Luciano Pavarotti will perform on Saturday in a stadium tranformed for the night into a neo-classical amphitheatre complete with columns, waterfalls and exotic flora. The concert, in association with World Cup USA 1994, is staged on the eve of the soccer final, which will be held at the nearby Pasadena Rose Bowl.

WORLDWIDE

The Rolling Stones, or rather the four remaining after the defection of bassist Bill Wyman, take to the road again on August 1 in Washington [illegible] to plug a new album, [illegible] first in five years, for new record company Virgin. Voodoo Lounge is released worldwide tomorrow. Mick Jagger's snarl is as leering as ever, Keith Richard's guitar as aggressively jangly. Darrell Jones sits in for Wyman but hardly changes the format. This is the Stones in traditional mood, a capsule of raw, urban, [illegible] rock and roll.

Fanfare for tradition

As the 100th season of Henry Wood Promenade Concerts gets underway, **Antony Thorncroft** talks to departing director John Drummond

At 8 o'clock this Friday evening conductor Andrew Davis will raise his baton, the BBC Symphony Orchestra will take a deep breath and the richly romantic music of Schoenberg's *Gurrelieder* will fill the Royal Albert Hall. The 100th season of Henry Wood Promenade Concerts will have been successfully launched and all concerned can relax into the familiarity of a Great British Institution.

The Prom season, like Wimbledon, is a national tradition that seems to work. Some composers complain that there is not enough contemporary music, meaning their own; fans of music on authentic instruments have their gripes ("tonight's concert can be heard on Radio 3," shouted waggish Promenaders last year when a Bach harpsichord concerto blatantly failed to carry); there are the odd criticisms about the venue, about the timing of certain concerts, about the absence of great international soloists.

But the Proms' status as the biggest music festival in the world, and perhaps the most successful, is secure. Even the BBC, with its current nit-picking self-appraisal, seems to have accepted the inevitable and left the Proms alone. There was talk of the Proms raising £2m from a sponsor to prevent a 10 per cent cut in the funding of the BBC orchestras but the search was fitful and when John Birt took over as director-general he abandoned the process.

The Proms confer prestige; they offer wonderful entertainment opportunities for BBC apparatchiks; they allow the BBC, through its commissions for new music, to pose as a modern Medici; they are impressively popular, with audiences of 84 per cent of capacity last year; and they provide hundreds of hours of cheap, quality broadcasting.

The director, John Drummond, is very much the showman who loves the sound of the turnstiles. "Everything I buy in I pay for through the box office or from advertising. In eight seasons I've always been in the black. About £2.5m covers all the foreign orchestras and guest artists". By taking advantage of the sponsored overseas tours by foreign orchestras he reckons he gets them at bargain prices: 11 are appearing this year, ranging from the Berlin Philharmonic to the Los Angeles Philharmonic.

Fans of Hope and Glory at the Last Night of the Proms: 'Three quarters of an hour of people being a bit silly after 68 concerts is OK by me'

"I am not in the market for paying fortunes to tenors, large ladies, or even conductors. Last year a major singer asked for a grotesque fee. We negotiated it down but she wanted an affidavit signed in front of a Justice of the Peace that we had never paid anyone more. It was ridiculous. We recruited instead a young English singer at a tenth of the cost and helped along her career".

But at almost half the 68 concerts this Prom season, the musicians performing are on the payroll of the BBC and here the costings become trickier. Even so, according to Drummond, "the Proms are half the cost of *Middlemarch*". Nicholas Kenyon, who succeeded Drummond as controller of Radio 3 and who, in 1996, also takes over as director of the Proms, says the actual size of the BBC subsidy is around £2m a year. "We've quantified what we get from the Proms and are happy with it", says Kenyon.

John Drummond, a big man in every sense of the word, has protected his fiefdom well. Not one for committee meetings, he has been around the musical world, and the BBC, for decades. He seems to have been allowed a long leash as he approaches retirement after the 1995 season, enjoying what has been described as "wilful isolation" inside the BBC. It says much for the reputation of the Proms that even the slide-rule toting Birtian BBC can still embrace, however temporarily, this maverick talent.

Drummond, though perceived as a traditionalist, has added much to the institution – Sunday Proms late night Proms, early evening Proms, Proms in churches, ethnic Proms, jazz Proms, even one ill fated attempt at a Show Tune Prom with Maria Ewing. Experience has taught him that the audience for opera is not a Prom audience – the first London production in decades of Ethel Smyth's *The Wreckers* at the July 31 Prom is not selling well; that the audience for contemporary music is totally committed but small, no more than 2,000 strong, which means that the Albert Hall would be less than half full; that Sunday concerts are difficult to shift – Promenaders want one night off.

Drummond has resisted the embrace of cross-over music, so favoured on the rival South Bank, and he regularly declines evenings of film music and flamenco. His attempts to bring over jazz legends like Oscar Peterson and Ella Fitzgerald failed because of the demands of jazz promoters. "They want all the box office and I'd never give that to anyone". He is happy to have dropped Gilbert & Sullivan from the programme; he regrets the apparent British indifference to Haydn. He rates his greatest achievements as the opening up of the Proms to foreign orchestras and the introduction of Sunday concerts, even if they have to be carefully programmed to persuade the weekday audiences to turn up once again.

Sir Henry Wood gave his first Prom in 1895, so this year marks the 100th season and next year the centenary. Drummond is seizing on the chance to make his own last two seasons celebratory events: nostalgic and backward-looking this season and adventurous and forward-looking in 1995. The fact that the raft of BBC commissions of new music in 1995, from Berio, Birtwistle, Reich, Williamson, Weir and many more leading composers, might lead to the Proms missing their 75 per cent break-even target and Kenyon facing a nasty deficit, is a small price to pay for such patronage.

Certainly 1994 has struck a chord with Promenaders, especially the fanatical 550 who buy a season ticket to stand in the arena, at a bargain price of £120, for 68 performances. Concerts like next Saturday's, a repeat of a 1900 Prom with 18 works including Boer War ballads, and concerts in tribute to Sir Henry Wood, Sir Malcolm Sargent, Sir William Glock and other great Prom personalities, have helped push advance bookings 5 per cent higher than a year ago.

Traditions like a Wagner night, a Viennese night, and the performance of all the Beethoven symphonies, have been revived and revered performers, like violinist Ida Haendel, who made her Prom debut in 1937, are playing again. Music that was first heard at Proms, like Schoenberg's "Five Orchestral Pieces" and Vaughan William's Fifth Symphony, will be among 68 past premieres lovingly respected.

There is one Proms institution that John Drummond has left alone – the Last Night. His predecessor, Robert Ponsonby, tried to douse the high spirits by programming more serious music. Drummond has gone along with the exuberant promenaders. "Three quarters of an hour of people being a bit silly after 68 concerts is OK by me." He has even protected the Last Night from more populist attack. "I know that Shirley Bassey has always wanted to sing there, but she won't in my time".

In Kenyon's time, perhaps, she might. Though Drummond's successor-in-waiting espouses "continuity, not revolution," change will be inevitable. There may well be more mini festivals, more themes, weaving through seasons. Kenyon, as a channel controller with budgets to meet, may at least look again at the idea of attracting outside, commercial, money to the Proms. Last week's government white paper giving the BBC a fairly clean bill of health has removed much of the pressure for change, but commercial sponsorship remains on the agenda.

Last week, too, the BBC Symphony Orchestra, the major workhorse at the Proms with 15 concerts this year, announced its first ever sponsorship deal, a £300,000, three year, cash infusion from Land Rover. Kenyon might see opportunities in reducing the hold of orchestral music over the Proms. He might also think that rock, the great art form of the 20th century, could be comfortably embraced as the 21st century approaches. But he still has two years in which to plan.

Meanwhile, Drummond is focussing on the job in hand and is uncharacteristically unclear about life after the Proms. He has done the big jobs – running the Edinburgh Festival as well as Radio 3, but missed out on others – like the Royal Opera House. At 60 he seems happy to take things easy, perhaps undertaking a few consultancies. But for the next seven weeks he knows exactly where he will be – in his box at the Royal Albert Hall. He never misses a Prom.

Opera

Nightingale and the Rose

Posthumously, Oscar Wilde has furnished the stories for any number of operas besides *Salome*. Elena Firsova's new one-act piece, which opened the Almeida Opera season on Friday, is at least the fourth treatment of *The Nightingale and the Rose*. You could read Wilde's story aloud several times in the 75 minutes Firsova takes to tell it; but her intricate chamber-score is so delicately, rapturously, expiringly romantic that we hearkened to it all without complaint.

There are far too few events in the tale to make a stage action – and the crucial one is scarcely stageable. Lovelorn Student needs red rose to win Girl, but there are only white and yellow ones in his garden; in honour of love, a Nightingale presses its breast against a rose-stem and sings its heart out until it dies, pierced by a thorn, and the rose turns red; Student is chucked by Girl anyway, and decides to take up metaphysics.

Instead of inventing extra episodes, Firsova has chosen to set the parable as a chain of "lyric scenes", in intimate, poignant focus. A grave little chorus of Roses (some doubling as other flora and fauna) comments and assists; the Nightingale – high soprano, of course – borrows three sonnets from Christina Rossetti for her achingly protracted swan-song. Firsova's chamber-ensemble of single strings and winds tingles with highly wrought feeling, celesta and marimbas, deep-shuddering drums and gongs. There is passionate discourse from an unorthodox string quartet, with a strong and perfectly apt whiff of Szymanowski. (Excellent Almeida Ensemble conducted by David Parry.)

Singers impersonating plants tend to look silly, too much like primary-schoolers in a pageant; the director Caroline Gawn and her designer Julian McGowan take the curse off them by letting them be slightly comic. Gawn has found no convincing solution to the problem of representing the thorny avian *Liebestod* with an ample soprano and her green-faced cohorts, but I doubt there is one. Instead, with Carol Smith's exquisite singing as the Nightingale – clear, sweet, elegant, every phrase completely felt – the problem simply melts away.

Rachael Hallawell's upmarket Essex Girl is a delectable cartoon. As for the Student, Philip Sheffield creates the ultimate gangly, preening swot, starry-eyed and scatter-brained: a great bonus to the production, and as sensitively sung as he is funny ("farfelu", the French would say). This young tenor is full of curious promise.

Further performances tonight and July 16, 18 & 20.

David Murray

INTERNATIONAL ARTS GUIDE

BERLIN

Staatsoper unter den Linden The season ends with the Nureyev production of Glazunov's ballet Raymonda tonight and Wed, and Il barbiere di Siviglia tomorrow with Jennifer Larmore and Dmitri Hvorostovsky (200 4762/2035 4494)
Schiller Theater Crazy for You, the musical based on Gershwin's Girl Crazy, runs daily except Mon till July 31 (2548 9241)

COLOGNE

Philharmonie The Gershwin musical My One and Only opens tomorrow and runs daily except Mon till July 24. Alvin Ailey American Dance Theater is in residence from July 26 to Aug 7 (0221-2801)

GENEVA

The city of Geneva organises a series of concerts throughout the summer, some of them free open-air events. The international music series at Théâtre includes a Caribbean evening on Wed, a Malian song and dance evening on Fri and Latin American jazz star Arturo Sandoval on July 22. The jazz series at Cour de l'Hôtel de Ville opens tonight with the French duo Martial Solal and Didier Lockwood, followed next week by American pianist Hank Jones. Also at Cour de l'Hôtel de Ville, Geneva Chamber Opera presents Grétry's Zémire et Azore tomorrow, Wed, Fri and Sat, in a production conducted by Adrian Stern and directed by Sarah Ventura. The next classical music event features the Nash Ensemble on July 20 (022-786 5545/022-312 4353)

FRANKFURT

Oper New York Harlem Theatre presents Gershwin's opera Porgy and Bess daily except Tues till July 29 (069-236061)

HAMBURG

● Maximilian Schell stars as Professor Higgins in My Fair Lady at the Deutsches Schauspielhaus, daily till Aug 7 (040-248713)
● Katharina Thalbach's production of Brecht's The Threepenny Opera, with music by Kurt Weill, opens on Sat at Thalia Theater and runs till July 30 (040-322666)

MUNICH

Staatsoper Tonight: La forza del destino with Sharon Sweet, Peter Dvorsky and Vladimir Chernov. Tomorrow: John Neumeier's ballet A Midsummer Night's Dream. Wed, Sat: Gerd Albrecht conducts Thomas Langhoff's production of La Damnation de Faust, with Thomas Moser and Olga Borodina. Thurs: Zubin Mehta conducts David Alden's new production of Tannhäuser, with René Kollo, Nadine Secunde and Waltraud Meier. Fri: Un ballo in maschera with Dennis O'Neill and Julia Varady. Sun: Giulio Cesare with Ann Murray. The Munich Opera Festival continues till July 31, and includes performances at the Cuvilliés-Theater of Eckehard Mayer's new opera Sansibar (089-221316)
Gasteig Tonight: Zubin Mehta conducts Munich Philharmonic Orchestra in works by Mozart, with violin soloist David Garrett. Tomorrow: Jazz meets the Symphony, with Lalo Schifrin, Ray Brown and the Munich Radio Orchestra. Wed: Oscar Peterson Trio. Sat and Sun: Orlando di Lasso festival. July 19, 20, 21, 22: Lorin Maazel conducts Mahler's Second Symphony (089-4809 8614)

NEW YORK

THEATRE
● **Three Tall Women:** a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● **Angels in America:** Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millennium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
● **Four Dogs and a Bone:** John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782)
● **Laughter on the 23rd Floor:** Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)
● **The Sisters Rosensweig:** Wendy Wasserstein's most successful play to date, a comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)
● **Carousel:** Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
● **Tommy:** a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239 6200)
● **Crazy for You:** the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200)
● **Damn Yankees:** the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as Lola. The director, Jack O'Brien, has extensively re-written the story, which is about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 45th St, 307 4100)

DANCE/MUSIC
Avery Fisher Hall The Lincoln Center's Mostly Mozart Festival runs daily except Sun till Aug 20. The Julliard String Quartet, with pianist Rosalyn Tureck, gives tonight's all-Bach recital. Tomorrow and Wed: Gerard Schwarz conducts works by Bach and Mozart, with soloists Jean-Pierre Rampal and Yefim Bronfman. Thurs: Joshua Rifkin conducts Bach's B minor Mass. Fri and Sat: Schwarz conducts choral works by Mozart and Handel (875 5030)
Metropolitan Opera The Royal Ballet is in residence this week with Anthony Dowell's production of The Sleeping Beauty, Kenneth MacMillan's Mayerling and a mixed bill including Ashton's A Month in the Country (362 6000)

PARIS

● Paris Opera Ballet presents the Nureyev production of La Bayadère on Wed, Fri and Sun at the Bastille (4473 1300)
● Carmen runs at the Bastille till July 23, with changing casts headed by Marta Senn/Kathryn Harries/ Beatrice Uria-Monzon in the title role. Jose-Luis Gomez's staging is conducted by Serge Baudo/Cyril Diederich. This week's performances are tonight, tomorrow, Thurs and Sat (4473 1300)
● American jazz singer Spanky Wilson is in residence for the next two weeks at Lionel Hampton Jazz Club. Music from 10.30pm to 2am, daily except Sun and Mon (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

VIENNA

● The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's summer productions. Le nozze di Figaro runs daily except Wed and Sun till July 30. Don Giovanni follows from August 9 to 27 (513 0851)
● Klangbogen, Vienna's summer concert series, runs till the end of August at various venues throughout the city. Kathleen Battle gives a song recital tomorrow at the Konzerthaus. The Vienna Chamber Philharmonic has a Thursday series at the Arkadenhof, featuring Mozart arias with various soloists. Matthius Janz conducts Brahms' German Requiem on Fri at the Augustinerkirche. Martin Haselböck conducts the Wiener Akademie original instrument ensemble in Haydn's The Creation on Sat and Sun at Akademie der Wissenschaften (4000 8410)
● Vienna's jazz festival winds up this week with The Lounge Lizards and John Lurie tonight, Al Jarreau tomorrow, Carleen Anderson and Band on Thurs and a mixed bill on Fri. Venues: Staatsoper and Museumsquartier (4000 8410)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

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MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Why vegetarians will inherit the earth

MICHAEL PROWSE on AMERICA

Within 50 years people who eat red meat or drink alcohol will be ostracised. At social gatherings they will be able to indulge in these unhealthy – nay, barbarous – habits only after seeking the express permission of their disdainful companions. The vegetarian, teetotal majority will have enacted stiff laws to regulate these dangerous substances and will be especially vigilant in protecting the young. Studies will have shown that most carnivores take up their bad habit in childhood, before they can appreciate the force of arguments against meat.

You may dismiss this as a ridiculous fantasy. Yet who would have dreamt that US public sentiment could shift so decisively against cigarettes? For much of this century smoking was not merely socially acceptable: it was expected of anybody with pretensions to sophistication. Movie stars and models smoked. So did political leaders and financiers. It was *de rigueur* for intellectuals: how many writers, artists or musicians would have refused a cigarette in the 1950s?

Yet today smokers in the US are a furtive, pitied minority, often to be found huddled near the entrances of buildings they dare not enter. Smoking is a vice of green youngsters – and of apologetic old-timers who lack the grit to kick the habit. It is already banned in military workplaces, in most public places, in aircraft and in many restaurants. It will probably soon be outlawed in all workplaces – except in designated rooms with independent ventilation. States are now suing tobacco companies to recoup the vast – and unnecessary – cost of treating smoking-related illnesses such as lung cancer and heart disease.

The regulatory crackdown reflects changed public attitudes. People have turned against cigarettes because they are more health conscious than in the past and because they are more aware of the medical risks. The strength of the global anti-smoking movement depends largely on living standards and access to information. Not surprisingly, the US is in the vanguard, followed by western Europe; only in the developing world and former communist countries are cigarettes still seen as chic or desirable.

Opinion seems likely to turn against meat and alcohol for similar reasons. The medical case against meat is damning. A recent study in the British Medical Journal indicated that vegetarians were 40 per cent less likely than meat eaters to die of cancer. This followed numerous previous studies linking meat consumption with other chronic illnesses. Far more people die of heart disease in the US and western Europe than in Asian countries, where beans, grains and fish form the staple diet. The reason should be obvious to any hamburger junkie: meat (especially beef) is saturated with harmful fat and cholesterol.

Self-preservation is probably the strongest reason for abandoning meat; but it is supported by ethical and environmental arguments that seem certain to receive a more sympathetic hearing in coming decades.

As moral beings, how can we defend the unnecessary slaughter of millions of animals, especially when eating their dead flesh can cause disease in us? The basis of morality is compassion or the desire to prevent suffering. Since it is hard to deny that cattle, pigs and lambs have a capacity to suffer, we are necessarily acting unethically when we eat them. Moreover, if the land now used for grazing were turned over to cereal, beans and vegetables, we could feed millions of starving people in the third world, at no net cost, while reducing damage to the environment.

Alcohol may have more staying power than meat, because humans throughout history have sought an escape from reality. Many moderate drinkers will argue that a glass of wine or beer is positively good for their health. Perhaps. But a heavy price is paid for the social acceptability of this dangerous drug. Because alcohol is addictive, many people are not able to control their consumption. As they get older, they tend to drink more heavily, despite their reduced ability to absorb the drug. A surprising number of moderate drinkers thus end up as semi-alcoholics; the human cost in wrecked careers, smashed marriages and premature death or disablement is high.

The statistics are quite disturbing. In the US alcohol is one of the leading causes of death, after heart disease and cancer (to which it contributes). Cirrhosis of the liver alone claims more than 26,000 lives a year. Some 50 per cent of fatal car crashes are alcohol related. Drinking is known to exacerbate many social problems – including violence on the streets and wife-battering in the home. Conservative estimates indicate the purely economic costs of alcohol abuse – in work days lost, premature deaths and medical expenses – exceed $100bn a year in the US.

Lest there be any confusion, I do not support bans of any kind, except those (such as restrictions on smoking in the workplace) that aim to protect innocent parties. I am enough of a libertarian to believe that people should be free to seek pleasure as they see fit, even at the risk of killing themselves.

Nor am I in favour of hair-shirts or puritanical philosophies of life. Public opinion has turned against cigarettes because people realise that, on balance, they reduce rather than increase the sum of human happiness. This is the spirit in which future generations will reject meat and alcohol. And, in case readers are curious, it is the spirit in which I have turned my back on these fleeting pleasures – at least for the time being.

Foreign cash for bricks and mortar

UK housing associations are today trying to woo German bankers. John Willman explains why

The UK's housing associations, which build low-cost homes largely for rent, may have their roots in medieval alms-houses and the Victorian philanthropists who provided homes for the working poor during the industrial revolution. But in recent years, they have been quietly transforming themselves into leading players in the UK housing market.

The largest now own tens of thousands of homes with assets worth hundreds of millions of pounds. To fund their expanding programmes, they are seeking ever-increasing amounts of finance and have become among the most active issuers of sterling bonds.

Today, the search for new sources of finance moves overseas. The Housing Corporation, the organisation that distributes government grants to associations, is holding a seminar in Frankfurt to persuade German banks to invest in UK social housing.

If the corporation is successful, housing associations could be the first UK organisations to raise funds through the issue of Pfandbriefe, the uniquely German bonds used by banks to finance mortgages and municipal loans.

The seminar is targeted at Germany's 26 mortgage banks, which account for 60 per cent of Pfandbriefe issued in Germany. These long-term, fixed-interest bonds are secured on the property and also guaranteed by the issuing bank. Loans are normally restricted to 60 per cent of the value of the property.

Germany's tough regulatory regime for the issuing of Pfandbriefe has ensured there have been no defaults since 1900. The yields on what has proved to be a secure form of investment are only a small margin over German Treasury bonds and thus offer a low-cost source of finance.

The banks have been allowed under German law to issue Pfandbriefe in other European currencies than the DM since 1991. Earlier this year, the German Mortgage Banks Association launched a campaign to find opportunities to issue sterling Pfandbriefe in the UK. Mr Anthony Mayer, chief executive of the Housing Corporation, will suggest today that housing associations – of which there is no equivalent in Germany – offer just such an opportunity.

Housing associations could certainly prove attractive to the German banks, says Mr Frank Kennedy of S G Warburg Securities, the securities house. "Associations are closely regulated by the Housing Corporation and no lender has lost money lending on a secured basis to a registered housing association."

The Housing Corporation believes that German mortgage banks could be a useful source of funding for housing associations, which often find it hard to raise the sort of long-term finance appropriate for residential property. "There is a natural synergy between the terms associations are seeking and those offered by Pfandbriefe," says Mr Mayer.

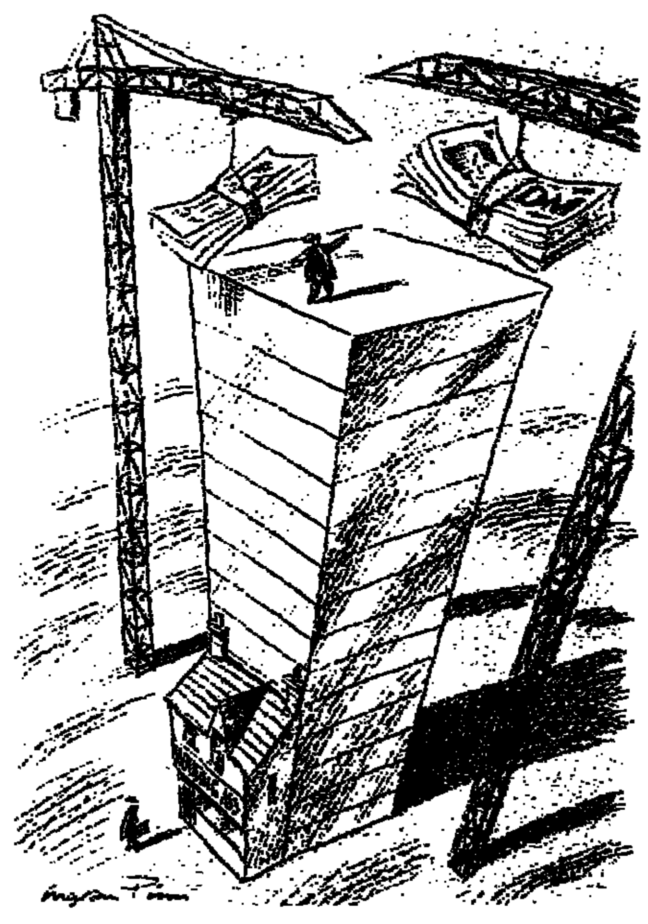
Associations are already raising large amounts of private finance to supplement government grants for building affordable homes for rent. Since the 1988 Housing Act permitted private funding, more than £5.5bn has been raised from banks, building societies and institutions.

The Corporation expects, however, that associations will need to raise even larger amounts in the future, with the government reducing the amount of grant from £2.4bn in 1992-93 to £1.5bn in 1994-95. It estimates that an additional £7bn of private finance will be needed over the next four years to fulfil their plans for building new homes and funding the transfer of local authority homes to associations.

The increasing importance of private finance in social housing led to the appointment of Sir Brian Pearse, former chief executive of Midland Bank, as chairman of the Corporation earlier this year. His predecessor was Sir Christopher Benson, a property developer. Bringing in a banker reflected the need to open up the housing association movement to the financial markets.

Sir Brian is keen to widen the housing association's investor base, which is currently dominated by the largest UK financial institutions.

"I hope to persuade investors to see housing associations as big business occupying a significant sector of the economy," he says.



"They employ 50,000 people and indirectly tens of thousands more in construction. I am confident that they offer attractive lending opportunities that are as safe as any other."

To some extent a broadening of their investor base is already happening. Since 1988, associations have raised finance from a lengthening list of lenders, even if few yet account for substantial sums. The Corporation has joined with the Chartered Institute of Banking, which offers training to bankers, to run short courses on lending to housing associations to increase familiarity with the sector.

Associations have also entered the sterling debenture market in a big way. With more than £1bn of housing association paper issued, they now account for about 10 per cent of the market.

Most of this has been raised through group, or "club" issues that bring several associations together to share costs. These also give some security to the investors, who often find it hard to assess associations' credit-worthiness.

But it is becoming clear that housing associations need to look elsewhere. The markets began to choke on association paper towards the end of last year. NatWest Markets, the investment banking arm of NatWest bank, was left with much of a £125m issue in November. Soon after, Hambros delayed a planned issue for medium-sized housing associations and Peabody Trust, the only housing association to have issued stock in its own name, postponed a £50m issue.

"The markets became clogged," says Mr Charles Arbuthnot of Hambros. "Investors became worried that there'd be an endless flow of paper."

Although Peabody and Hambros got their issues away earlier this year, it is clear that the appetite for further housing association paper in the debenture market is limited.

One alternative way of raising capital from investors would be to give them an equity stake in social housing. Chaco Investments, a subsidiary of TR Property Investment Trust, has already raised more than £20m for housing associations by offering a stake in the freehold of their properties with an indexed return linked to rental income.

"Institutions are very interested in the low risk and stable returns available from housing associations," says Mr Leon Clifton, managing director of Chaco. "The income stream and capital growth potential is offering returns as good as anything else the institutions can go into at the moment."

One development that might help housing associations raise money is moves towards giving them credit ratings. NatWest Markets has just launched a triple-A rated issue, an insured Guaranteed Enhanced Secured Bond, to buy out the stock left after its offering flopped in November.

"The success of the issue is very good news for housing associations," says Hambros' Mr Arbuthnot. "It has brought down the margin over gilts by almost a half, making it much cheaper for associations to raise capital. That is more than enough to cover the cost of credit rating."

If credit-rating catches on, financially strong associations would be able to draw on a much wider investor base, in the UK and abroad.

Today, however, the attention of housing associations will be on Pfandbriefe as a new way of attracting investors into social housing. The success of the Frankfurt meeting may take some time to become clear, given that it would represent a big step into unknown territory for the German banks. But with the demand for housing association homes showing no sign of abating, tapping into the global capital markets may be the only way that they can hope to raise the funds they need.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No cheer

From Mr Steven R Beharrell.

Sir, Anyone with knowledge of events surrounding the collapse of the US savings and loan institutions will look askance at the proposal to expand building societies' lending powers to include business loans and loans not secured on land ("Building societies given chance to widen services", July 7).

Perhaps as a lawyer in these leaner times I should enjoy the anticipation of another wonderful windfall for my profession: however, I rather fear for my deposits.

Steven R Beharrell,
Coudert Brothers,
20 Old Bailey, London EC4

Withdrawn

From Jean Coussins.

Sir, Your failure to cover the outcome of the Leeds industrial tribunal case ("Race body accused of bias", July 6) may have left your readers with the mistaken impression that the serious allegations about race bias levelled at the commission were well founded.

The fact is that the commission's reputation is totally intact: the complaints officer concerned has unreservedly withdrawn her accusations.

Jean Coussins,
acting executive director,
Commission for Racial Equality,
10-12 Allington Street,
London SW1E 5EH

Credit plan will push pay down

From Mr Chris Pond.

Sir, John Willman highlights the increasing trend towards the use of Family Credit to top up the incomes of those willing to accept low-paid employment ("Search for a way to stay afloat", July 8). The Treasury is considering spending £1bn to extend the benefit, currently payable only to families with children, to single people and childless couples.

In fact the cost would tend to be rather more than this over time. Employers who found that the link between pay levels and the net incomes of many of their staff had been broken would have every incentive to reduce pay still further, leaving the taxpayer to pick up the bill. Many companies already see Family Credit as an explicit government subsidy: if a profit margin can be guaranteed because staff are working for state-subsidised wages, what incentive is there to take risks or invest in training or better techniques of production? The overall efficiency and competitiveness of the economy is likely to suffer.

Family Credit may be a lifeline for many families trying to make ends meet on a low wage, but it increases their benefit dependency, placing them firmly in the sort of poverty trap which Chris Tighe describes in the accompanying article ("Life at the sharp end"). As wages rise (or taxes are reduced) benefit entitlement declines, leaving wage-earners little better off, and with little incentive to earn more through their own efforts.

In his speech to Tuesday's Trades Union Congress conference, Confederation of British Industry director-general, Howard Davies, warned that "the rapid growth in earnings dispersion is emerging as a more serious social and economic problem than is yet appreciated by most politicians". The encouragement of low-paid employment through an extension of Family Credit will serve only to increase that problem. Why a policy of state subsidies to companies, which increases benefit dependency and the burden on the taxpayer while depriving large sections of the workforce of economic incentives should appeal to a government committed to free-market economics remains a puzzle.

Chris Pond,
director, Low Pay Unit,
27/29 Amwell Street,
London EC1R 1UN

Political rush poses petrol pollution problem

From Dr D A Gidlow.

Sir, You report that the German environment minister is considering unilateral action to reduce the level of benzene in German petrols ("Bonn threatens action on petrol pollutant", July 7). Benzene is a proven human carcinogen and levels in the air of many European cities now significantly exceed recommended limits.

This is a direct result of the flawed EU policy of encouraging the use of unleaded petrol, with its higher aromatic content, in cars not equipped with catalytic converters. As a consequence of removing lead from petrol, the missing octane numbers are most commonly replaced by increasing the aromatic content of the petrol, the highest average aromatic content being found in the allegedly green super-unleaded.

It is to be hoped that Mr Klaus Topfer fully understands that it is not merely the benzene content of the petrol which is important but the total aromatic content as all aromatics can be converted to benzene in the engine and are emitted to the atmosphere if there is no catalyst fitted.

It is unfortunate that in the political rush to remove lead from petrol we have removed a perceived problem and replaced it by several far more sinister threats to health and the environment.

D A Gidlow,
company medical officer,
Associated Octel,
Oil Sites Road,
Ellesmere Port, S Wirral

Brazil's monetary move connected with presidential campaign

From Mr David L Bernstein.

Sir, As mentioned in your article, "Brazil expected to limit issue of new currency" (June 28), the central bank's strict control of the "real", that country's new money which came into existence on July 1, "is one of the key mechanisms the government hopes will prevent inflation creeping into the new currency". But, perhaps more importantly, Brazil's new, tight monetary policy must be seen, at least in part, as a political move intended to spark the lifeless campaign of presidential candidate, Fernando Henrique Cardoso.

This is not the first time Brazil's leaders have politicised economic policy. In February 1986, President Jose Sarney introduced the Cruzado Plan with a peremptory price freeze. Although inflation dropped from 22.4 per cent to -0.9 per cent, after Sarney's party won 22 of 23 governorships in November elections, the freeze was smartly lifted. Not surprisingly, inflation sky-rocketed to 7.6 per cent in December.

In 1990, Brazil's newly-elected president, Fernando Collor de Mello, waited until the day after his inauguration to present a Draconian anti-inflationary plan that sent his country into a brutal recession.

Now, with leftist Workers Party's presidential candidate, Luis Inacio Lula da Silva, threatening to dislodge the ruling Brazilian Social Democratic Party, the current president, Itamar Franco, discovered compelling reasons to declare the real would be pegged to the dollar at 1:1. By fixing the exchange rate, inflation should fall because the government is essentially making a commitment not to print additional reals to pay its bills.

But Franco already has rescinded his pledge to allow for the free convertability of the real. If he had decided otherwise, Brazilians might have rushed to buy dollars in fear of a potentially victorious Lula halting payments on domestic debt. The result would be an exchange crisis far worse than that at the end of the Cruzado plan, with Cardoso's defeat being a foregone conclusion.

The problem with Franco's new currency strategy is not so much its contents as its timing. By introducing the plan three months prior to the ballot, Franco is betting that lower inflation will help defeat Lula at the polls in October. If Franco is wrong, however, and he has to increase public spending to pay off the special interests which traditionally have dominated Brazilian electoral politics, inevitably inflation will re-emerge. Renewed inflation would not only kill Cardoso's presidential aspirations, but also demonstrate once again to the world financial community that Brazil's economy is more often than not merely a political tool for its rulers to manipulate.

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Time for a defence review

This week, amid the familiar clamour about base closures and job losses, the government will present what at first sight will look like welcome news. In unveiling a new round of defence cuts it will claim, in effect, that Britain's armed forces are to carry on doing exactly the same job at greatly reduced cost to the taxpayer. If this strategy were sustainable, it would indeed be welcome. Yet it is becoming increasingly clear that it is not: that in being asked to pursue a fixed set of tasks in ever more economical ways, the forces are being stretched too thin. In the process, the fundamental question – whether straitened circumstances dictate reordered priorities – is left unanswered.

After this week's cuts, the forces will still be shouldering three "defence roles": to protect Britain and dependent territories; to insure against threats to Britain or its allies; and to help maintain international peace and stability. Although the government now discloses the number of forces nominally assigned to each role, it has never explained in detail what it understands by these tasks.

The government has its reasons for shying away from a full-blown defence review. One is that it dare not further alienate constituents by adding the insult of a confusing new defence philosophy to the injury of reduced military spending. Another is the unpredictability of the subject. Nobody can forecast how long, and on what scale, the US will be prepared to commit money and men to the defence of Europe. Nobody can tell where Russia's new assertiveness in Europe will lead; or which extremist regime will be the next to acquire ballistic missiles or weapons of mass destruction.

Respond flexibly

Yet this very uncertainty should be a spur to think harder about how Britain can, within the limits of its budget, enhance its capacity to respond flexibly and rapidly to potential threats. The geopolitical challenges faced by France and Germany are no less complex than those confronting Britain; yet both those countries have published wide-ranging white papers on defence this year.

Britain eschews such a theoretical approach, preferring to focus on practical experience: its involvement in Bosnia, for example, which has highlighted some basic vulnerabilities as well as strengths. Although the UK contingent has played a crucial role in saving Bosnian lives and – so far – in preventing the conflict from spreading, its deployment has stretched Britain's forces to the limit. In some new international crisis requiring the despatch of another multinational peace-keeping force, it seems unlikely that Britain would have the spare capacity to help.

Searching questions

That is one important reason why the government needs now to undertake a fundamental review of defence policy. Such a review should be completed before 1996, when the European Union is due to consider common security policies as part of its next inter-governmental conference. And it should ask searching questions about the potential threats facing Britain and the resources available to deal with them.

How best can Britain contribute to multinational peace-keeping coalitions, and what does this imply in particular for future levels of land and sea forces? Is there scope for further cuts in the army's permanent strength in Germany, without sacrificing the advantages derived from frequent training and exercising with allies? Is the cost of defending Britain's remaining dependent territories justified by any strategic advantage or overriding moral commitment?

How useful is Britain's submarine-based nuclear deterrent, and how does this compare with, say, the case for anti-missile defences? Perhaps above all, with the US pressing Europe to develop greater self sufficiency in defence and encouraging Germany to play a leading role, which aspects of the US-UK relationship can be sustained indefinitely?

These are, of course, all issues of the utmost sensitivity in British politics – and the picture is complicated further by Britain's need to maintain a substantial presence in northern Ireland. But that is no excuse for continuing to sweep debate under the rug. In the end, such a review might make it easier, not harder, to muster political support for the necessary changes in spending priorities.

Korean iceberg starts to melt

"Whatever can he have meant by that?," Metternich is supposed to have said on learning of the sudden death of a political rival. It is tempting to ask the same about Kim Il-sung, the founder-president of communist North Korea, so thick was the veil of secrecy with which he surrounded himself and his country, and so dramatic the timing of his final departure.

Only a month ago his intransigence seemed about to plunge the world into a very dangerous crisis. Repeated prevarication over the inspection of North Korea's nuclear facilities had forced the world to conclude that Mr Kim was indeed concealing a nuclear weapons programme, and had left the Clinton administration with no option but to ask the UN Security Council to impose sanctions – a move which North Korea had served notice it would treat as an act of war.

Then a meeting between Mr Kim and ex-President Jimmy Carter produced a sudden change in atmosphere. North Korea agreed to "freeze" its nuclear activity for the duration of a new high-level meeting between US and North Korean officials – a meeting which actually began in Geneva on Friday when Mr Kim was apparently already dead. Meanwhile, a few days after Mr Carter's visit, North and South Korea agreed on the first ever summit meeting between Mr Kim and his southern counterpart, scheduling it for July 25.

Power struggle

Were these meetings a device to gain yet more time, or was Mr Kim preparing to extract the best possible price, in economic and diplomatic concessions, for an agreement to open up his country to full and effective nuclear inspection? That question is now displaced by others. Will his son Kim Jong-il be allowed the smooth inheritance of power and office which the elder Kim so elaborately prepared, or is there already a secret power struggle in progress such as followed the deaths of Stalin in Moscow and Mao in Beijing? Assuming he does succeed, and goes ahead with both the Geneva talks and the Pyongyang summit, will the younger Kim use the meetings to bring about a more general opening up to the outside world, or will he feel the need to prove to party and army veterans at home that he remains faithful to his father's doctrine of *juche* (self-reliance)?

In the longer term, it is hard to believe that the post-Kim Il-sung era will not be marked by an attempt at economic reform, combined with an attempt to maintain tight political control. Both attempts will be dictated by the small ruling elite's desire to survive, with or without Kim Jong-il. The question that must be tormenting them is whether such a policy mix has any hope of success in a state where till now everything has been minutely controlled, and more especially one which comprises only part of a nation, the other and larger part being successfully integrated into the global capitalist economy.

Threat to stability

The division of Korea is no less unnatural and no more desirable than was that of Germany, and no more likely to prove permanent once North Koreans (like East Germans) acquire the freedom to vote with their feet. But Korea's reunification may well prove even more expensive, and pose a greater threat to regional peace and stability. The risk that the communist regime would not go quietly is much higher, and the reaction of at least one neighbouring power (China) is harder to predict. The next few years will provide the South Korean leadership and the Clinton administration with a test at least as difficult as that faced, and passed, by Helmut Kohl and George Bush in 1990.

But in the short term neither South Korea nor the wider international community has any real choice but to wait and see what the mysterious processes of North Korean politics produce. As much as possible should be done to encourage Kim Il-sung's successors to put a benign and imaginative interpretation on the enigmatic diplomacy of his last weeks. That means continuing to refine the carrots and sticks wielded in recent weeks – offering the prospect of increased trade and investment to encourage compliance and reform, but maintaining the threat of further isolation should the younger Kim prove as intransigent as his father.

The death of President Kim Il-sung may herald far-reaching reforms in North Korea, writes **John Burton**

A future in the balance

The sudden death of North Korean President Kim Il-sung has added a new element of instability to an already tense situation on the Korean peninsula caused by the dispute over Pyongyang's suspected nuclear weapons programme.

Mr Kim personified the North Korean government for more than four decades. Such has been his dominance that outsiders can only guess at the consequences of his departure.

It could trigger political unrest that might eventually lead to the collapse of the economically ailing North and its rapid and costly absorption by South Korea.

Alternatively, his death may offer hope, for it could be the prelude to the introduction of Chinese-style economic reforms by a young generation of technocrats who have been held back by the heavy head of Mr Kim. They want to promote special economic zones to attract foreign investment and create modern industrial facilities for North Korea.

What happens will largely depend on the fortunes of Mr Kim Jong-il, the eldest son and designated successor to the late president. Although the younger Mr Kim has an unsavoury reputation in the west (see below), many Seoul-based analysts of North Korea believe that he has encouraged and protected a cadre of pragmatic technocrats who want to promote trade and business ties with the capitalist world.

His support for reforms, they say, is based on self-preservation. Mr Kim realises that he needs to improve living standards if he is to gain support from a public suffering from food shortages, falling industrial production and a lack of oil and other energy resources.

But Mr Kim Jong-il and the technocrats are distrusted by an older generation of party and army veterans who firmly support the doctrine of *juche* (self-reliance) created by his father. They fear that opening isolated North Korea to the outside world could cause political instability and undermine the authoritarian government as the public becomes exposed to capitalism and other foreign influences.

Resistance to Mr Kim Jong-il is believed to be particularly strong in the military, whose leadership is closely aligned with conservatives in the government. A younger generation of Chinese-trained officers, however, is thought to harbour ambitions of spearheading a military-backed industrialisation programme, repeating the examples of the South Korean army after its coup in 1961 and the People's Liberation Army in China now.

Mr Kim is consequently vulnerable to a coup attempt, particularly since he lacks the charisma that kept his father in power. He also faces potential opposition from members of his family in a modern version of the intrigue that used to plague the old Korean royal courts.

The biggest challenge could come from his half-brother Mr Kim Pyong-il, who is supported by the president's widow, Ms Kim Song-ae, and possibly the late president's younger brother, Mr Kim Yong-ju. These family members are believed to have close links to the military.

In the short term, however, Mr Kim Jong-il appears to have the upper hand. His appointment as head of the state funeral committee for his father is a clear indication that he will soon take over leadership of the ruling Korean Workers' Party and possibly the less powerful position of president.

Since Mr Kim Il-sung unofficially designated him as his successor in the early 1970s, Mr Kim Jong-il has had two decades to build up organisational support for his leadership by placing loyalists in the party and government.

His control over the military, however, is more problematic, in spite of his role as commander in chief of the armed forces. One reason is that party influence over the military has been less pervasive than in other organisations.

Most analysts believe that Mr Kim Jong-il will have only two or three years to consolidate his support and impose his authority over the government, party and military if he is to avoid being overthrown.

An early test of his influence will be the two crucial decisions he faces in the coming days: on whether to pursue talks with the US on nuclear inspections of the North's nuclear facilities; and on whether to proceed with an unprecedented summit with South Korean President Kim Young-sam.

His father decided to reopen negotiations with the US and start them with South Korea shortly before he died – probably with a view to gaining diplomatic and economic concessions in return for renouncing the North's nuclear ambitions.

The pragmatists in the government have urged such a policy to end the country's international isolation and save it from economic collapse, according to recent visitors to Pyongyang.

But there are worries that Mr Kim Jong-il, lacking his father's immense authority, may adopt a hardline stance in a tactical move to win the support of his conservative opponents until he gains total power. This would increase chances of a confrontation with the US over the nuclear dispute and possibly of a conflict breaking out on the Korean peninsula.

The delicate political balancing act that Mr Kim Jong-il faces is likely to limit the scope of any economic reforms that he may want to introduce in the immediate future.

Moreover, he appears to lack the political skills and finesse that kept his father in power for 46 years. His need to build political alliances may eventually reduce Mr Kim to a figurehead or force him to share power in a collective leadership, which would considerably undermine his authority.

Some believe that even if Mr Kim succeeds in imposing his rule, he will lack the courage to introduce reforms far-reaching enough to reverse the country's economic decline. He may fear that a significant opening up to foreign investment would begin to unravel the centralised political structure.

"The (investment) measures being discussed would only tinker with the system, but fail to solve its fundamental flaws. They would be equivalent to the Soviet Union's efforts in the 1970s to attract foreign investment, which had little impact," said Mr Yang Sung-chul, professor of political science at Kyunghee university in Seoul.

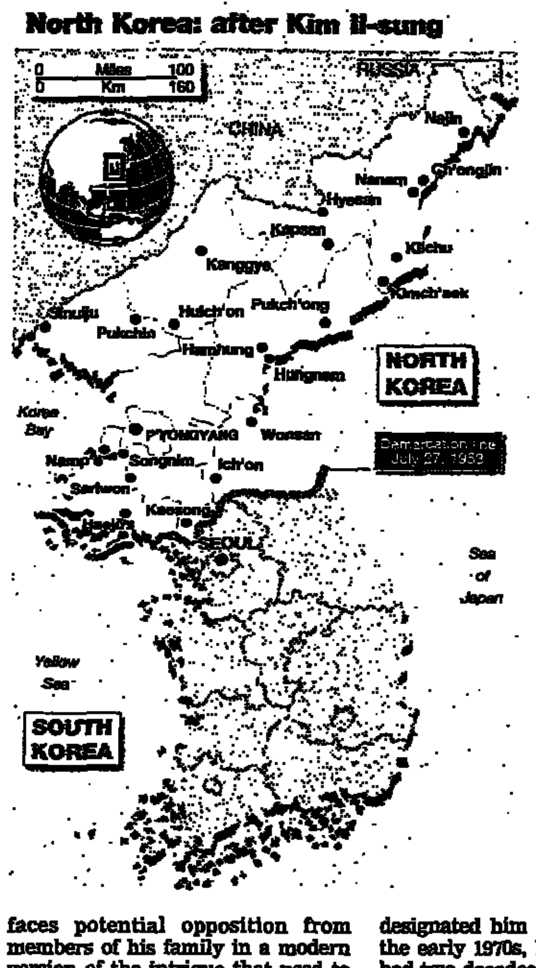
This would be a recipe for further economic stagnation. If the economy continues to shrink by 5 per cent a year as it has done for the last few years, it could spark a popular revolt that would provide a pretext for the army to impose military rule after ousting Mr Kim.

Ironically, Mr Kim's strongest support may come from North Korea's arch-enemies, South Korea and the US. Seoul is worried that a sudden collapse of North Korea would cripple its efforts to become an advanced industrial nation, by forcing it to divert resources to reconstruct the North. According to some estimates, this could cost as much as \$200-\$300bn (£133bn-£200bn) over 10 years.

South Korean officials indicated yesterday that they might agree to ease restrictions on economic assistance and business ties to the North in force as a result of the nuclear dispute. They suggested that the US could do the same, with a view to maintaining political stability.

Unlikely as it may seem for the industrial democracies to seize on Mr Kim Jong-il as a saviour of North Korea, Washington and Seoul may be praying that he succeeds in achieving a smooth transfer of power. The alternative would be a political upheaval whose effects would be felt throughout north-east Asia.

North Korea: after Kim Il-sung




The late president

Economic indicators

	1989	1990	1991	1992	1993
Real GNP growth (%)	2.0	-3.7	-5.2	-5.0	n/a
Population (m)	21	21.4	21.8	22.2	22.6
Exports (\$bn)	1.69	1.86	1.40	0.92	n/a
Imports (\$bn)	2.90	2.93	2.31	1.55	n/a
Trade deficit (\$bn)	1.219	1.073	0.902	0.630	n/a

Source: Economist Intelligence Unit

Out of the shadows

Mr Kim Jong-il has already surpassed his father, the Great Leader, in one regard. He enjoys an even worse press in the west than Mr Kim Il-sung.

Newspaper accounts have painted the junior Mr Kim as an unstable alcoholic, a womaniser who likes to import foreign call girls, and a cinema fanatic who maintains a library of 20,000 movies and supervises seven movie studios.

South Korean intelligence has claimed Mr Kim masterminded several North Korean terrorist actions in the 1980s, including the mid-air bombing of a Korean Airlines airliner in 1987 – although it has not offered convincing evidence to substantiate this charge.

But the bad publicity does appear to contain grains of truth. Diplomats in Pyongyang report regular sightings of all-female "cultural groups" travelling to North Korea under the patronage of Mr Kim.

In the late 1980s, according to well-substantiated accounts, his interest in cinema prompted him to order the kidnapping of a South Korean film director and his actress wife so they could make movies for North Korea.

Mr Kim cuts a strange figure, adding to his enigmatic image. He is small in stature, bespectacled and pudgy, sports a bouffant hairstyle and his dress resembles a Chinese factory manager.

In sharp contrast to his charismatic father, Mr Kim in his rare public appearances has appeared unhappy and nervous. He is described by those who have met him as being both shy and arrogant. His lifestyle is reclusive and he avoids meeting foreign visitors. This might help explain why overseas delegations will not be allowed to attend the funeral of his father on July 17.

But North Korean defectors claim that Mr Kim is a "techno-freak" whose interests range from computers to watching foreign satellite programmes, including Cable News Network. "Kim Jong-il is well aware of what's happening in the outside world," said one analyst.

There are strong psychological and political reasons for Mr Kim's insecurity. Born in a Soviet army camp near Khabarovsk in February 1942, his childhood included "a dreary life in Siberia; his father's ill-treatment of his mother and her sudden death; his father's remarriage; and a war," according to a South Korean government publication.

Although relations with his father appeared to be cool during his youth, Mr Kim was groomed for power. He attended the Mangyongdae Revolutionary Academy, an exclusive school for children of the political elite. He graduated from Kim Il-sung university with a degree in political economy and is reported to have studied briefly in the former East Germany.

He used his school ties in the traditional Korean manner to cultivate friendships with people who now hold key government and party positions and who are his chief political allies.

Mr Kim was officially appointed his father's successor in 1980, but family conflicts still pose a challenge to his role as heir. His step-mother is supporting her son and Mr Kim's step-brother, Kim Pyong-il, as a potential rival.

Another challenge could come from his uncle, Mr Kim Yong-ju, who was believed to be Mr Kim Il-sung's chosen successor until he was replaced by the junior Mr Kim. Mr Kim Yong-ju disappeared from public view in the mid-1970s, only to reappear suddenly as a vice-president last December.

Mr Kim Jong-il might take comfort in the official public adulation that has enveloped him and his father. He is known as the "Dear Leader" and the country's extensive propaganda machine has attributed him with a long list of extraordinary achievements, from overseeing vast construction projects to creating a revolutionary new form of theatre.

But North Korean defectors contend that Mr Kim has expressed profound cynicism about the cult of personality that surrounds him, even though he helped create it. Mr Kim appears to be driven by a need to prove himself and escape his father's overwhelming shadow. This may provide him with the motivation to abandon his father's *juche* (self-reliance) ideology and open up the country to the outside world.

John Burton


Kim Jong-il: reclusive

OBSERVER

Beware of false summit

■ No sooner has one summit finished than another one opens. However, the irony of this week's emergency European summit, called by Chancellor Helmut Kohl, is that the organisers don't want it to take place.

It is a cunning piece of blackmail. The German chancellor is using it to browbeat his fellow heads of government into agreeing on a common candidate to be the next president of the European commission, after John Major vetoed his last proposal. If they can agree in advance, no one will have to spoil his weekend, or postpone their summer holidays, by having to sit down in Brussels for yet another tiresome session of multilingual haggling, begging the British to stop being beastly.

But even if there is a chance of an early deal, everyone still has to plan for the summit. Because the Charlemagne building in Brussels, headquarters of the Council of Ministers, no longer has enough space for the mammoth closing press conference, the German government press office has had to hire the theatre over the street. It is paying to have it wired up with interpreters' cabins and microphones.

Henning Wegener, of the federal press office in Bonn, is not amused. "It is costing me DM130,000 from my own budget," he said. "And all for a meeting nobody wants to have, and which might never take place."

Sivio's fanfare

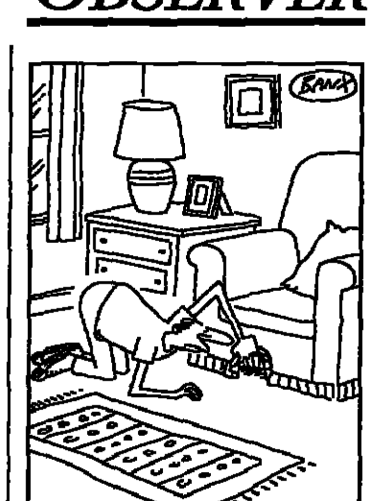
■ Silvio Berlusconi, Italy's prime minister and soccer club owner, has scored again. As he finished his press conference on Saturday night with the ringing declaration "I really and truly believe in the new Italian miracle", Dino Baggio scored the first of Italy's two goals against Spain in the World Cup quarter-finals.

The result swept the G7's Naples summit off the Italian front pages yesterday and even began to look like a deliberately orchestrated triumph to deflect recent criticism of his government. Rete 4, the most pro-Berlusconi of the three television channels owned by the prime minister, obligingly split the screen for the great moment: grinning Berlusconi, live from Naples, in one half; grinning Baggio, live from Boston, in the other.

Meals on wheels

■ After successful forays into Britain's communications and security businesses, where else to turn – except to the bed and breakfast lark?

Securicor has plans to dish up two types of porridge: one at a small hotel chain, dominated by the Richmond Gate Hotel in Surrey, the other in two new prisons the company hopes to build and operate. Roger Wigg, Securicor's chief executive, reckons the company's experience in both enforced and voluntary leisure sectors admirably equips it for the new ventures. When booking a room, please ensure you get the correct establishment.



The job-seeker

Too busy selling

■ This time Michael Heseltine, Britain's trade and industry supremo, had an excuse. When the Italian hosts at the G7 summit called a special meeting of trade ministers on Saturday to discuss ways of freeing new areas of world trade, Hezza was just about to set off at the head of Britain's largest ever trade mission to South Africa. Once again Sarah Hogg, head of the prime minister's policy unit, stepped into the breach.

It's not the first time that Hezza has failed to show up for trade talks. He missed Marrakesh in April when the world's leading trade ministers signed off the Uruguay Round. He sent his number three, Tim Sainsbury, who is minister for industry, not trade. Indeed, Hezza's absence from the big trade policy set-piece events is starting to look increasingly odd, especially since he insists on calling himself the President of the Board of Trade.

Help wanted

■ Bob Phillis, the BBC's increasingly powerful deputy director general, has bowed to the inevitable. He is looking for a candidate to relieve him of his job as managing director of the BBC World Service which he has held since he arrived at the BBC.

In addition to being John Birt's deputy, and natural heir apparent, Phillis has just taken on the chairmanship of the newly created BBC Worldwide so he has more than enough on his plate. However, he is not letting go completely. The new World Service boss will report directly to him, rather than John Birt. Sam Younger, the World Service's new director of broadcasting, is the obvious internal successor.

But his promotion might seem a bit too cosy, if Phillis is really intent on exploiting the full potential of one of the Beeb's most valuable hidden assets.

Lawson minor

■ Poor old Nigel Lawson. Not only does Britain's ex-chancellor of the exchequer look like losing his bid to get a proper job as OECD secretary general, but a comprehensive school in Gateshead wants to erase his name from the school gates. Governors of the Lord Lawson Comprehensive at Birtley, Tyne and Wear – named after an extinct Labour baron – have voted to rename their school the Lord Lawson of Beamish Comprehensive to avoid any confusion with the current Lord Lawson. But why not rename it the Baron Lawson Comprehensive, as a reminder of the time when even Labour prime ministers handed out hereditary honours?

Diary note

■ The London Banks' personnel management group has sent out an invitation to all its members to next month's seminar: A hands-on guide to sexual harassment.

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UK likely to oppose Germany's EU agenda

By David Gardner in Dortmund

The new German presidency of the European Union appears to be on course for a collision with the UK after making clear it intends to try to enact the remaining labour market and workers' rights measures in the EU's Social Charter.

Mr Norbert Blum, Germany's labour minister, presented the proposals in a paper to EU labour and social affairs ministers in Dortmund at the weekend. They are intended to set the social policy tone for the German presidency.

Foremost among the measures Germany will push for are: stalled directives extending the rights of full-time employees to part-time workers; widening parental leave rights; regulating the rights and obligations of employees working outside their own country, and reversing the burden of proof in sex discrimination cases – from the complainant to the employer.

The UK, wholly or partly, opposes all these measures, which Germany has placed high on the agendas of Council of Labour Ministers meetings in September and December.

Mr Michael Forsyth, Britain's junior employment minister, said after the meeting that "we made it pretty clear we don't want more along the lines of the social action programme" derived from the European Commission's 1989 Social Charter. "We are not in favour of regulating pay and conditions and we're not going to change that."

Chairing the first, informal ministerial meeting of the German presidency in his Dortmund constituency on Saturday, Mr Blum evoked the spirit of the French Revolution, still incomplete, he suggested, in terms of its ideals of equality and fraternity.

Mr Blum underlined the gulf on social policy between the UK and its partners, declaring: "Europe will either be a social Europe – a Europe of the masses – or it will be no Europe at all."

The UK may resort to its opt-out from the Maastricht social chapter to avoid being bound by most of the directives Germany wants to advance. But on part-time work, it could face difficulties following the recent House of Lords ruling requiring equal statutory treatment of part-time and full-time workers.

Mr Blum's discussion paper emphasises the principle of subsidiarity, whereby the EU should not try to do what member states can do better.The paper stresses the need for better training, more flexible labour markets, and a crackdown on the black economy.

The document spells out, however, that "an essential aspect" of the flexible labour market idea seized on by the UK was the part-time workers and parental leave directives, which will "have a positive effect on employment" when adopted.

Ministers agreed in principle to set up a working group to hammer out the action programme on jobs called for at Corfu by December, when the next regular EU summit will be held at Essen.

Spain to inject $300m into VW's lossmaking Seat unit

By Tom Burns in Madrid

Volkswagen, the German car group, has won Pta40bn ($308m) in state subsidies for Seat, its lossmaking Barcelona subsidiary, after 10 weeks of bargaining with the Spanish government.

The cash injection is some Pta20bn less than Volkswagen wanted, but it represents a climbdown from the government's previous refusal to bail out private sector groups.

Other companies, particularly those in the car industry such as the troubled Suzuki plant in the south of Spain, are now likely to press for similar funding.

Officials, however, say Seat is a special case. It is the biggest domestic car producer, the only manufacturer which has a Spanish marque and it uses a high level of domestic technology.

The Spanish government will provide Pta32bn and the Barcelona-based Catalan government the rest. The Catalan Nationalist party, which runs the regional government in Barcelona and supports the minority Socialist government in the Madrid parliament, had consistently backed official subsidies for the area's most important employer.

In the first big clash between the Spanish administration and a multinational, Volkswagen had hinted it might wind up Seat as a separate unit unless it received government aid.

The formerly state-owned car producer, which was acquired by Volkswagen in 1987, lost Pta151bn last year and expects to lose Pta75bn this year.

A key element in the agreement, which will be formally signed today, is that the funds must be invested in technology for Seat and may not be used to lay off the company's employees. The Volkswagen subsidiary intends to shed some 4,500 jobs, a quarter of its labour force.

The government has also obtained important concessions from Volkswagen:

- The proportion of Spanish-made components used by Seat is to rise from a present 54 per cent to 68 per cent.
- Seat will be maintained as a separate marque within the Volkswagen group and the German parent will keep up the company's design and technology centre, together with its capacity to produce new models.
- Any new manufacturing plants opened by Seat in the future will be located in Spain.

Volkswagen will nevertheless press ahead with plans, announced at the end of December, to close Seat's 40-year-old plant in the port area of Barcelona and shift production to a new factory in the town of Martorell, 30km north-west of the city.

G7 leaders greet Yeltsin

Continued from Page 1

was finally responding to his reform efforts. For their part, the G7 painted an upbeat picture of their own economic prospects. "They're talking about the G7 having a 2.5 per cent growth in its GDP" this year, said Mr Lloyd Bentsen, the US Treasury Secretary. "That's sure a lot better than the 1 per cent we saw last year."

However, the economic summit recognised that improved growth alone would not cut the 24m unemployed in the G7 countries and the seven leaders adopted a programme of economic reforms to boost employment.

President Clinton failed to win a consensus for an early push on further trade liberalisation in such areas as investment, technical standards and telecommunications.

However, The other main contentious issue was solved. After difficult negotiations among officials, the G7 countries agreed to offer Ukraine an initial payment of up to $200m to shut down the remains of the Chernobyl nuclear plant on safety grounds.

N Korea

Continued from Page 1

Saturday, 34 hours after he succumbed apparently to heart failure.

North Korea halted military exercises and stopped propaganda broadcasts attacking South Korea after Mr Kim's death. But the South placed its armed forces on emergency alert on Saturday in response to concerns that a hardline military elite might try to oust Mr Kim from power.

Mr Kim died as North Korea began discussions with the US.

Israel on brink of showdown with illegal settlers

By Julian Ozanne in Jerusalem

Israel sent hundreds of soldiers to the Kiryat Arba settlement in the West Bank yesterday in what might be its first armed showdown with extremist Jewish settlers.

The move came on the eve of the permanent homecoming of Mr Yassir Arafat, the Palestine Liberation Organisation chairman, expected today or tomorrow after a formal farewell ceremony in Tunisia.

Several hundred Israeli troops were braced yesterday evening to forcibly evict radical settlers who broke into and illegally occupied three vacant government-built apartment houses near Kiryat Arba. The action was in protest at Israeli peace moves and the killing of a Jewish teenager by a Palestinian.

If the evictions go ahead, it will be the first time that prime minister Yitzhak Rabin has blocked illegal settlement in the West Bank and used the army to force settlers out. It may send a powerful sign to Jewish settlers and to the PLO that the government is prepared to face down the settlers.

Mr David Libai, justice minister, said after yesterday's cabinet meeting that the 15 families, supported by leaders from the militant settlement of Kiryat Arba, who occupied the buildings would have to leave or be forcibly removed.

Kiryat Arba settler leaders vowed mass protests to struggle against any forcible evictions and warned that any government force could end in bloodshed. Mr Elyakim Haetzni told Israel radio the government was threatening settlers "with annihilation" and would meet fierce resistance.

The Rabin government, which came to power two years ago, froze settlement in the West Bank and Gaza Strip to meet US conditions for $10bn in loan guarantees. At least 4,000 homes, which were almost completed, were abandoned.

But militant settlers have moved into the West Bank in defiance of government policy and, while the fragile coalition government has so far acted cautiously in the face of settler actions, both sides say the settlers are a potential "timebomb" in the peace process.

Mr Rabin has been indicating that he increasingly sees the settlers – especially the 4,500-strong militant community at Kiryat Arba – as a political fringe and a menace to the peace process.

At the weekend Mr Arafat met King Fahd of Saudi Arabia to press the monarch, the PLO's main financial backer before Mr Arafat backed Iraq during the occupation of Kuwait in 1990-91, to release millions of dollars of pledged aid to Palestinian self-rule in Gaza-Jericho.

THE LEX COLUMN

United they stand

United Airlines shareholders will vote tomorrow on a radical restructuring plan which involves the workforce accepting an estimated $5bn (£3.2bn) of labour concessions in return for 55 per cent of the company's stock. The proposal has been hailed as an imaginative experiment in industrial democracy in an era where the distinctions between labour and capital have been blurred.

But there are huge doubts about the deal's specific industrial and financial logic. It is hard to make employee ownership work at the best of times as conflicts of priority arise between employee benefits and capital investment. Yet United operates in one of the most ferociously competitive markets in the world. The worry is that United's cost advantage would prove temporary anyway. If other airlines respond with similar measures then the whole industry would experience a step change in cost structure, which would be quickly followed by further painful reductions in fares and therefore in total industry revenues.

Assuming United's shareholders also hold stock in other airlines, they may make the hard-hearted calculation that it would be better to block the United deal and allow a major airline to go bust. Only by removing excess capacity will it be possible for other carriers to make a decent return on capital. The distorting effects of the Chapter 11 bankruptcy procedure have kept too many carriers in the air for too long. If the Clinton administration is committed to restoring the aviation industry's health it should encourage companies to fail rather than stick financial plasters on their wings.

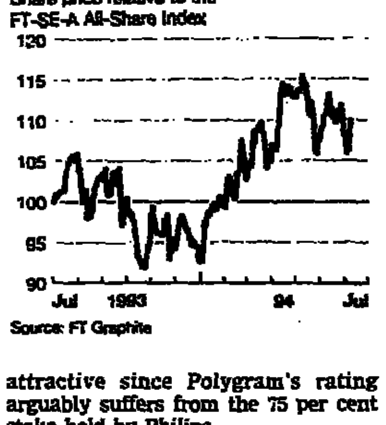
Thorn EMI

Sir Colin Southgate's comments at Thorn EMI's annual meeting on Friday will be closely scrutinised. A demerger of the group he chairs into its music and TV rental components is looking more and more likely. Last month part of the troublesome defence electronics business was sold to France's Thomson. The remainder could find a buyer soon, removing the last major obstacle to demerger.

Splitting Thorn EMI into two looks like a good idea. Investors interested in EMI would then be able to invest in an unadulterated music group. Given the worldwide enthusiasm for everything multimedia, it could trade on fancy multiples. The only major music group currently offering such a pure play is Polygram. EMI could be more

Thorn EMI

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

attractive since Polygram's rating arguably suffers from the 75 per cent stake held by Philips.

Unencumbered by its association with the dull rental business, EMI might also find it easier to branch out into book publishing and create a multi-faceted entertainment software group. Alternatively, EMI could be besieged by suitors wishing to include it in their multimedia empires.

All this is heady stuff. Thorn EMI's shares rose 4 per cent at the end of last week as investors focused again on the demerger concept. The stock's outperformance since the start of the year has been largely driven by the same story. The idea is so appealing that a further rise could be justified. But if any hitches appear, the market will be sorely disappointed.

UK insurance

The government's decision to allow building societies to write house structure and contents insurance is welcome. The commissions paid to societies for selling policies underwritten by insurance companies – anything up to 30 per cent of premium – are an unnecessary expense borne by consumers. Direct sellers such as Direct Line are already putting commissions under pressure. The government has now given the building societies the choice between accepting lower commissions and going it alone.

Even if commissions come down, many societies will be loath to give up such risk-free income and take on underwriting risk themselves. Others will not have capital available to back new insurance ventures. But with modern technology and adequate reinsurance cover, societies should be able to avoid ruinous losses in household insurance. Larger societies may thus be tempted to take advantage of their new freedom, even if it means buying claim-handling or other services from outside.

That would be bad news for the composite insurers, which gain up to half their household premiums through building society links. The sharp rise in premium rates in recent years means the business is now highly profitable. Wide margins have already tempted the direct writers to muscle in, and new ventures by building societies would add to the competitive pressure. Composite insurers may face a battle to defend their market share.

Banking

One of the perennial problems facing banks is their inability to assess and price risk correctly. In the 1970s banks went overboard lending on low margins to developing countries, some nearly destroying themselves in the process. A decade later property lending brought similar pain. The trouble is that banks tend to develop an insatiable appetite for certain types of business, sometimes as a type of aversion therapy for past mistakes. Property lending, after all, offered the benefit of collateral which must have seemed a godsend after sovereign lending. It turned out to be a dubious advantage when borrowers ran out of cash and market values slumped. By then loan pricing bore no relation to actual risk.

A new proposal from the London-based Centre for the Study of Financial Innovation could go some way towards correcting this problem. Its latest paper on capital adequacy suggests techniques commonly used for assessing risks in the derivatives market could be applied to loan assets too. Basically this would involve using computer models to establish the market value of each individual loan, assessing its volatility and applying an appropriate capital ratio.

The paper's main preoccupation is with the safety of the system. But its proposal, which admittedly is fraught with technical difficulties, would surely have an impact on pricing too. Banks would be forced into a subtler measurement of risk which reflected the volatility of their income. Greater precision in setting capital requirements would make it harder to underprice risky business. Lending to small business might become prohibitively expensive as a result. But the banks themselves would make fewer losses.

FT WEATHER GUIDE

Europe today

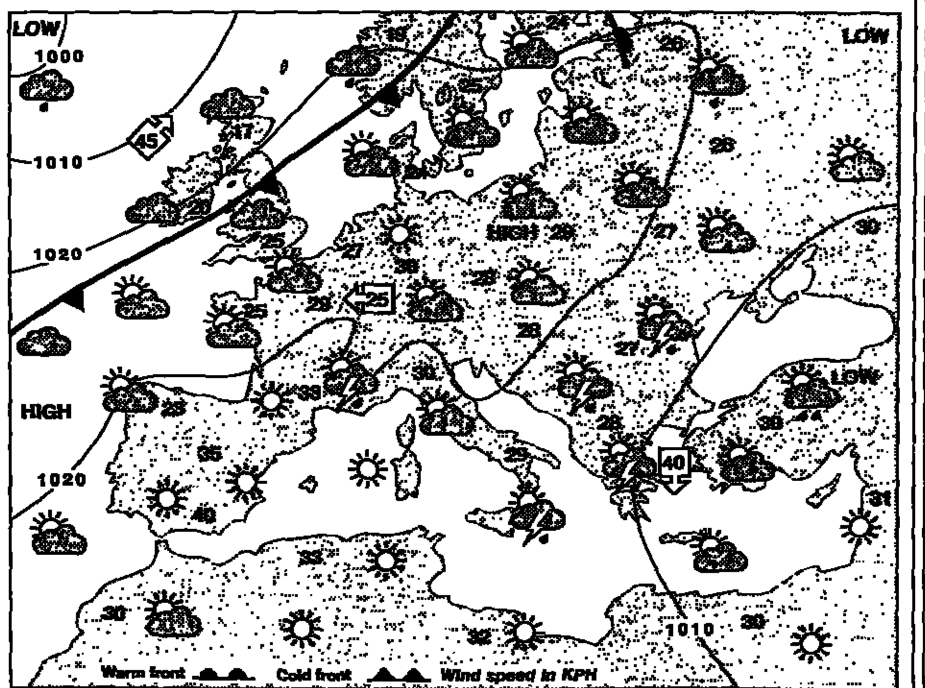
High pressure area over Poland and Germany, will cause sunny and mainly dry weather over large parts of the continent. Temperatures will rise several degrees above normal. However, the British Isles, Norway and northern Scandinavia will stay cloudy with rain at times coming in from the Atlantic.

Afternoon temperature readings as high as 40C will occur in southern Spain. The Balkans, Greece and western Turkey will have thunder showers and relatively cool temperatures. Southern Italy may have some isolated showers. The Alps will have a mainly sunny and rather warm day with an afternoon shower in southern Austria and in the French Alps.

Five-day forecast

Warm weather is expected to continue over the continent, however there will be an increasing risk of thunder storms.

The British Isles will continue rather cloudy and cool, but there may be an improvement in the second part of the week. The Mediterranean holiday resorts will stay warm. There will be a gradual trend for fewer thunder showers in Greece and Italy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	thund	28
Algiers	sun	33
Amsterdam	fair	28
Athens	fair	29
Atlanta	thund	31
B. Aires	sun	12
B.ham	fair	24
Bangkok	cloudy	33
Barcelona	sun	28
Beijing	fair	32
Belfast	rain	19
Belgrade	thund	24
Berlin	fair	28
Bermuda	shower	30
Bogota	shower	18
Bombay	rain	31
Brussels	fair	30
Budapest	fair	29
C.hagen	fair	25
Cairo	sun	37
Cape Town	shower	16
Caracas	thund	26
Cardiff	fair	22
Casablanca	sun	30
Chicago	fair	29
Cologne	sun	31
Dakar	cloudy	30
Dallas	fair	34
Delhi	fair	35
Dubai	sun	39
Dublin	cloudy	19
Dubrovnik	fair	27
Edinburgh	cloudy	19
Faro	sun	30
Frankfurt	sun	30
Geneva	fair	29
Gibraltar	sun	30
Glasgow	cloudy	19
Hamburg	fair	28
Helsinki	fair	28
Hong Kong	shower	32
Honolulu	fair	31
Istanbul	shower	27
Jakarta	fair	31
Jersey	hazy	22
Karachi	rain	31
Kuwait	sun	45
L. Angeles	sun	27
Las Palmas	sun	29
Lima	cloudy	19
Lisbon	fair	31
London	sun	27
Lux.bourg	sun	30
Lyon	fair	30
Madeira	fair	27
Madrid	sun	35
Majorca	sun	31
Malta	fair	30
Manchester	fair	23
Manila	rain	28
Melbourne	shower	17
Mexico City	fair	20
Miami	fair	32
Milan	fair	30
Montreal	fair	26
Moscow	fair	26
Munich	fair	28
Nairobi	thund	24
Naples	fair	29
Nassau	shower	32
New York	sun	27
Nice	sun	28
Nicosia	fair	34
Oslo	shower	23
Paris	fair	29
Perth	shower	17
Prague	fair	28
Rangoon	cloudy	29
Reykjavik	cloudy	15
Rio	fair	22
Rome	fair	30
S. Frsco	sun	24
Seoul	fair	28
Singapore	shower	32
Stockholm	fair	26
Strasbourg	sun	30
Sydney	fair	18
Tangier	sun	32
Tel Aviv	sun	33
Tokyo	cloudy	30
Toronto	shower	26
Vancouver	fair	23
Venice	fair	28
Vienna	fair	28
Warsaw	fair	29
Washington	sun	30
Wellington	cloudy	8
Winnipeg	fair	26
Zurich	fair	29

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 11 1994

MARKETS THIS WEEK

BRONWEN MADDOX:
GLOBAL INVESTOR
The results season on Wall Street will help answer some questions troubling world markets, such as the impact of rising commodity prices on profit margins. It will also shed light on a point which has attracted less attention: the damage inflicted on corporate earnings by the shift in the yield curve. Page 20

GUY DE JONQUIERES:
ECONOMIC EYE
There is a tenacious belief, even among more sober policymakers, that high-tech is "special" and merits attention which they would never lavish on other industries. In the name of investing in future prosperity, Europe has pumped billions of Ecus into collaborative research and development efforts. Page 20

BONDS:
The bear market in bonds took a turn for the worse last week as participants had a closer look at the massive debt burdens and funding pressures weighing on some European governments. Page 22

EQUITIES:
In New York some investors believe good earnings are around the corner. If they are right, share prices will receive a much-needed boost. Meanwhile in London, if only the US dollar can at least stay in line this week, the market can rely on support from most of the leading market strategists, even if the buyers still appear somewhat less convinced. Page 23

EMERGING MARKETS:
With less than six weeks before Mexico's presidential election, investors in the country's stock and money markets are uneasy. Page 21

CURRENCIES:
If the general axiom that markets only respond to unexpected events holds true, foreign exchange traders will have a quiet morning today, reading a widely predicted G7 statement, devoid of any programme of dollar support. Page 21

COMMODITIES:
Co-operation between producers and consumers on stabilising natural rubber prices has been under strain for some time. Page 20

INTERNATIONAL COMPANIES:
Cariplo, the Italian savings bank, hopes to relaunch its postponed international share issue "soon", but only when world markets recover confidence, according to Mr Sandro Molinari, the bank's chairman. Page 19

UK COMPANIES:
Royal Bank of Scotland has completed its six-year US acquisition spree with the finalisation over the weekend of its purchase of Old Stone Federal Savings Bank of Rhode Island. Page 18

STATISTICS

Fokker to receive Fl 1bn cash injection

By Ronald van de Krol in Amsterdam

Fokker, the loss-making Dutch aircraft maker, is to receive around Fl1bn ($550m) to repair its eroded balance sheet from its majority shareholder, Deutsche Aerospace of Germany, and from the Dutch government.

The long-awaited refinancing is to consist of a capital injection of more than Fl600m from Dasa, which bought a 51 per cent stake in Fokker in April 1993.

The Dutch government, which has a minority holding in the Netherlands' only aerospace company, will indirectly help Fokker raise an additional Fl400m by agreeing to approve a "sale and lease-back" arrangement whereby Fokker plans to sell its aircraft-building technology to Rabobank, the big Dutch co-operative bank.

This part of the deal required government approval because the purchase of the patents by Rabobank is designed to reduce the bank's tax bill, depriving state coffers of Fl400m in revenue. A similar technology lease-back arrangement was struck last year between Rabobank and Philips, the Dutch electronics group, after explicit approval from the Dutch government.

In a letter to parliament, Mr Koos Andriessen, economic affairs minister, said details still had to be worked out and approved by the supervisory board of Dasa's parent company, Daimler-Benz, when it meets in November. "Dasa is prepared to shoulder a substantial part of the burden [of the refinancing]," he said.

As part of the financial restructuring, a new company will be set up at arm's length from Fokker to group the company's leasing activities. Customers are increasingly seeking to lease rather than buy Fokker's aircraft, and this puts strains on the company's own balance sheet.

Fokker posted a net loss of Fl460m in 1993 after taking a charge of Fl275m for the declining value of its stock of unsold aircraft. It has forecast a recovery in the aircraft market in 1996. Until demand for its aircraft increases, Fokker has eliminated thousands of jobs and reduced the output of its two main products, the 50-seater Fokker 50 and the 100-seater Fokker 100.

Fund managers feel optimistic over gilts

By Steve Thompson in London

UK fund managers are becoming increasingly optimistic about UK gilts and equities and Japanese equities. They also view the recent weakness in bonds and equities as a good buying opportunity, rather than the portent of worse things to come, according to a survey of leading UK investment funds carried out by Gallup for Smith New Court.

A balance of 42 per cent of respondents intend to run down their cash balances, the highest figure for around a year.

Optimism about the UK and Japanese markets does not extend to other markets, however, with a balance of 13 per cent saying they plan to reduce their exposure in the US and 14 per cent looking to cut their European holdings.

The balance of respondents intending to increase their holdings in UK equities rose to 20 per cent from 8 per cent last month and that for gilts to 19 per cent from 16 per cent. Some 69 per cent of fund managers expect the UK economy to "get a little better" over the next 12 months.

UK company earnings per share growth is forecast to rise 16.4 per cent this year. Expectations for dividend growth have been revised upwards with respondents looking for dividend growth of 8.6 per cent in 1994, up from last month's figure of 8.2 per cent.

A quarterly inquiry into sectoral preferences reveals definite bias towards cyclical manufacturing sectors. General engineering, building materials and pharmaceuticals are the most popular sectors. The three least popular sectors are food manufacturing, textiles and electricity stocks.

Matra may buy BAe space arm

By Paul Betts, Aerospace Correspondent at Cape Canaveral

British Aerospace and Matra Marconi Space are to hold a new round of negotiations in Paris this week over the possible sale of BAe's space systems division to the joint venture company between the French Lagardere technology and media group and the UK's General Electric Company (GEC).

Matra officials, attending the latest US space shuttle launch carrying a space laboratory involving Matra technology, described the new talks with BAe as "important".

Although the two sides appear close to an agreement after nearly two years of negotiations, Mr Armand Carlier, Matra Marconi Space's new chief executive, said it was still difficult to say if a deal would finally be clinched.

"Acquisitions in the space business are difficult because you have to make an assessment of both the past and future prospects of a proposed acquisition. The due diligence process takes long and is complex."

One hurdle which had delayed an agreement appears to have been resolved. This involved the Orion satellite to provide a private communication network for a group of large corporate users led by Chase Manhattan Bank of the US for which BAe is the prime contractor. BAe had difficulty finding a slot on a US rocket to launch the Orion satellite to meet the timetable of the satellite's customers. This now appears to have been resolved with a potential launch later this year or early next year on a Martin Marietta rocket.

French officials indicated that Matra Marconi Space could have faced potentially heavy financial liabilities if it had acquired BAe's space systems division before the Orion issue was resolved.

French concerns of potentially heavy pension obligations for the 1,000 BAe employees it would absorb also delayed agreement. Matra said that BAe's pension scheme was more onerous than the French company's equivalent.

However, Matra appears keen to reach an agreement quickly because it sees the acquisition as a significant step in its efforts with Marconi to create an important European group in the space sector.

The combined companies would create a FFr6.5bn ($1.2bn) group employing more than 4,000. This would strengthen Matra Marconi Space's position in the increasingly competitive commercial space business.

David Waller reports on Metallgesellschaft's restructuring

Nerves of steel in German metals group

Summing up his term of office as chairman of Metallgesellschaft, the troubled German metals, mining and industrial group, Mr Kajo Neukirchen had a two-pronged message last week.

The first element was that Metallgesellschaft's problems had turned out to be bigger than he expected when he took over as chairman in the week before Christmas last year.

The second, and marginally more optimistic point contained in a letter to shareholders, was that more had been done to bring the Frankfurt-based conglomerate back to financial health than he had thought possible when he was brought in to the crisis-struck group.

Still, the negative part of the message outweighed the positive last week.

The group's losses for the year to September would be about the same level as last year's DM1.9bn ($1.2bn), Mr Neukirchen warned at a briefing on Thursday night. In the first half, losses were DM1.54bn, against a pre-tax profit of DM98.3m in the same period last year.

Mr Neukirchen also revealed that the company would have to book a new DM1bn provision to cover further losses generated by MG Corp, the group's New York-based US trading subsidiary.

These come on top of the DM2.3bn losses already run up by MG Corp as a result of speculative trading in the oil futures market, bringing Metallgesellschaft, one of Germany's biggest industrial groups, to the brink of bankruptcy in January.

The new provision arises from the entanglement of MG Corp with Castle Energy Corporation, a north American oil refinery. MG Corp's previous management agreed to buy refined oil from Castle at higher than market prices for the next five years.

Metallgesellschaft: chronicle of events

1993

Dec 17: Mr Heinz Schimmelbusch, former German Manager of the Year, ousted from chairmanship with boardroom colleagues; Mr Kajo Neukirchen takes his place. MG Corp, the group's US trading subsidiary, has run up DM2.3bn losses in oil futures trading, and Metallgesellschaft made operating losses of DM500m in 1991-92.

1994

Jan 15: Bankers agree to DM3.4bn rescue plan without which Metallgesellschaft would have gone bankrupt.

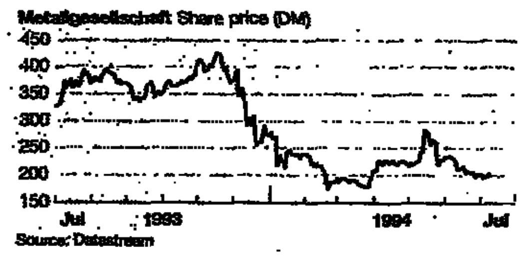
Feb 24: Mr Ronaldo Schmitz, of Deutsche Bank, defends his role as chairman of Metallgesellschaft's supervisory board at a special shareholders' meeting. Shareholders approve rescue and restructuring plans.

May 24: Mr Neukirchen unveils new strategy to supervisory board, involving concentration of activities on four key areas.

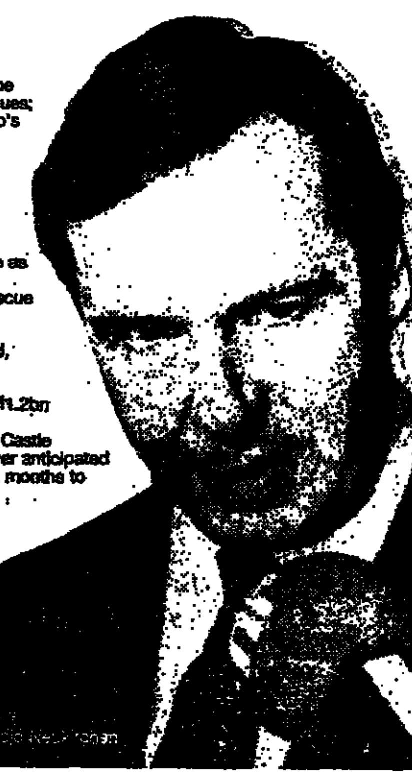
June 16: Buderus, a profitable engineering subsidiary, sold for DM1.2bn

July 8: Mr Neukirchen reveals that MG Corp's involvement with Castle Energy will require a provision of a further DM1bn to cover anticipated losses. The group reports a loss of DM1.54bn for the six months to the end of March.

Metallgesellschaft Share price (DM)



Source: Datastream



The situation is complicated by the fact that MG Corp owns 40.1 per cent of Castle, and former MG Corp directors sat on the Castle board.

The relationship between MG Corp and Castle, set out in 76 contracts from which MG Corp has unsuccessfully tried to escape, were known about when bankers and shareholders agreed to a DM3.4bn rescue and refinancing package earlier this year. It only became clear that a large provision would be needed in late May and the scale of the risk was not quantified until Friday.

Conveniently, the new losses will be covered by the extraordinary profits made on the disposal of Buderus, a heating equipment and engineering subsidiary sold for DM1.2bn last month.

Mr Neukirchen said last week that Buderus, which was highly profitable, was sold because it did not fit the group's newly defined core strategy. But the circumstances of the disposal suggest more of an amputation: earlier this year Mr Neukirchen was

Continued on Page 21

This week: Company news

United Airlines

Bumpy landing expected for staff buy-out

The world's biggest employee buy-out goes to the vote in the US tomorrow when United Airlines' shareholders decide whether they are prepared to cede majority control of their company - the country's biggest airline - to its staff.

The betting is that the deal will go through, but it is by no means a certainty. Last month the Pennsylvania-based Vanguard/Windsor Funds, an institutional investor speaking for nearly 10 per cent of United's shares, said it would vote against the proposal. But Alliance Capital Management, which holds about 17 per cent of the stock, subsequently announced it would side with United.

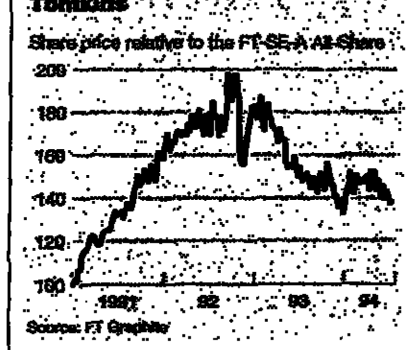
United's plan is to give employees a controlling stake of between 55 and 63 per cent of the company's equity in return for cost-cutting labour concessions worth $4.9bn over the next 12 years. It badly needs the proposal to succeed because it forms the basis of its strategy for restoring profitability in the face of cut-throat competition from smaller, low-cost US carriers.

If the plan collapses, the consequences could be grim. United would probably embark on a policy of retrenchment, axing hundreds of unprofitable short-haul domestic routes and contracting out services such as catering and maintenance. The resulting job losses would stand a good chance of provoking a head-on confrontation with the airline's powerful labour unions.

Existing shareholders will get a half-share in the new United Airlines plus $84.81 in cash for each share they now hold. United argues that there is no alternative to the plan, but dissenters say that with many of the airline's problems stemming from uppity and over-paid staff, the notion of an employee buy-out is tantamount to giving lunatics control of the asylum.

Tomkins

Share price relative to the FT-SE-A All-Share



Source: FT Graphite

TOMKINS

Bread and butter brings in the jam

Tomkins, the industrial conglomerate, reports annual figures today which may finally silence the critics of its £990m takeover of Ranks Hovis McDougall in December 1992.

Analysts expect the UK-based food group to have contributed profits of around £100m ($152m) despite the pressure on domestic grocery prices, particularly in bread. The cakes business has been weak, but the improvement in milling is thought to have accelerated in the second half along with a recovery in RHM's US operations where it sells peanut butter and ketchup.

For the group as a whole, forecasts range from £255m to £265m ($402.8m) up from £171m the previous year, with earnings per share increasing by around 15 per cent. The dividend is likely to rise to between 7.1p and 7.35p, up from 6.35p.

The old Tomkins businesses are thought to have had a mixed year in the US, with Murray Ohio, the lawnmower and bikes business suffering from fierce competition and poor weather, but the building products companies benefiting from recovery and gunmaker Smith & Wesson showing good growth.

Tomkins generates 60 per cent of its operating profit in dollars. While there should be translation gains, the shares have fallen back recently as the American currency has weakened.

CIGA

ITT closing in from its Sheraton base

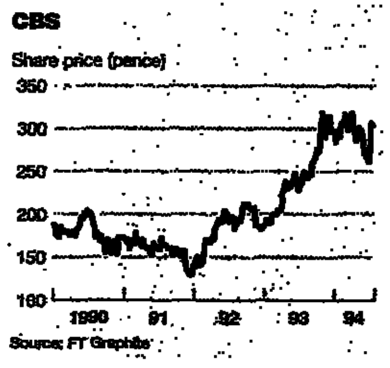
Today's board meeting at Ciga, the Italian luxury hotels group, is likely to provide confirmation that ITT, the US conglomerate which owns the Sheraton hotel chain, has gained effective control of the company. Up to three of the existing seven-strong board are expected to step down, allowing Sheraton-nominated directors to join. ITT confirmed at last week's shareholder meeting that it now owns 17.4 per cent of Ciga through its Sheraton International subsidiary.

■ **Low & Bonar:** Improved margins in North America and signs of increased volumes in continental Europe are expected to lift Low & Bonar's interim pre-tax profits by about 22 per cent to £17.5m ($26.6m). The UK-based international packaging and materials group, which announces results for the six months to May 31 today, has shed non-core businesses and shored up its mainstream activities with acquisitions such as Cereal Packaging, the former Kellogg company. Contributions from such subsidiaries should underpin the group's status as the self-proclaimed market leader.

■ **CBS:** The boards of CBS, the US television broadcasting network, and QVC, the television shopping channel headed by Mr Barry Diller, a top Hollywood executive, will meet on Wednesday to consider the proposed merger between the two groups which was announced on June 30. Both companies seem certain to approve the transaction, which has sharply boosted their share prices. But it will take another 90 to 120 days to complete, and a hostile bid for CBS could emerge during that period.

CBS

Share price (pence)



Source: FT Graphite

■ **Great Universal Stores:** The UK mail-order, retail, financial services and property group which last year enfranchised its shareholders, is expected to report a 46th year of uninterrupted growth on Thursday. Pre-tax profits are forecast at £510m ($775m) for the year to end-March, ahead from £475m previously. The increase has been driven by a strong performance in the UK mail-order business, and a good result from Burberrys.

■ **Rank Organisation:** The leisure group, which announces first-half results on Thursday, is expected to announce profits before exceptional charges of between £111m and £115m ($174.8m). This is expected to be balanced by exceptional charges of £112m, relating to US video distribution closure costs and Rank's share of the restructuring of Rank Xerox.

Companies in this issue

Royal Bank completes US buy

By Alison Smith

Royal Bank of Scotland has completed its six-year US acquisition spree with the finalisation over the weekend of its purchase of Old Stone Federal Savings Bank of Rhode Island.

It paid a premium of $134m (£88m) for the business, which comprises $1.1bn in deposits and $450m in selected loans. The vendor was Resolution Trust Corporation, a US government agency which took control when Old Stone failed in January 1993.

Royal Bank has deliberately kept the acquisition trail within 100 miles of the Providence, Rhode Island, headquarters of Citizens Financial Group, the bank it bought in 1988. Since then, it has bought eight other institutions.

Mr Larry Fish, Citizens' chief executive, says there were four main criteria in considering any purchase: that the location was close enough to Providence to deepen the bank's franchise in its core areas; that the target had a clean balance sheet; that it would make money in the first year; and that it was accepted that Citizens would merge the back offices and choose the management and board.

Royal Bank is not the only UK bank eyeing the US banking sector. Despite the losses UK banks endured in the late 1980s, the fragmented and regional nature of US banking franchises offers the attractions of being able to establish a significant market share concentrated in a single, wealthy, county or state.

Already this year, National Westminster Bank, the UK's second largest, has spent $800m buying two retail banks in New Jersey – Citizens First and Central Jersey Bancorp to add to NatWest Bancorp.

Royal Bank began adding to Citizens in December 1990. It appears to have reaped some benefit from that early start, as prices for US banks have been rising. The highest price Royal Bank paid has been 1.9 times book value, while NatWest has paid 2.4 times book for both its purchases this year.

Apart from the possibility of buying a few more branches to fill in the network, which will total more than 120 in Rhode Island, Connecticut and Massachusetts, Mr George Mathewson, Royal Bank's chief executive, is clear that the time has come to consolidate the acquisitions. In terms of market share, Citizens is now among the top five banks in New England.

It contributed £27m of the group's interim pre-tax profits of £201m, against a £21m contribution the previous year.

To fund Citizens' growth, Royal Bank is injecting $465m in capital, of which $165m is a result of buying Old Stone.

While an end to acquisitions will mean the end of capital injections, it will also mean intensified pressure for Citizens to deliver organic growth.

Citizens' cross-selling in Rhode Island, where some 60 per cent of its 1m or so customers live, is an impressive average of between three and four products per customer. From now on, greater emphasis will be put on cross-selling in the other two states, where the average number of products per customer is just over one.

Mr Mathewson believes that fundamental changes in US banking such as consolidation among fewer, larger players, make it important to build value in Citizens as well as build income.

"The changes will make the key banks more valuable and will make those which do not give a strategic advantage less so," he says. "If our market share is only 10 per cent, we could be squeezed out without anyone even needing to buy us, but as we're the dominant bank in our areas, it's a different ball game."

Unit swap deal offered by City of London trust

By Bethan Hutton

City of London Investment Management is offering unit holders in its Emerging Markets Country trust the chance to swap their units for shares in a parallel new investment trust.

It is also planning to raise additional capital through an issue of C-shares in the newly-formed Emerging Markets Country Investment Trust.

This is thought to be the first time that an investment trust has been created from a unit trust, though unitisation is a relatively common fate for struggling investment trusts.

The move is intended to attract new investors who are barred from investing in open-ended funds, and also give a choice of investment vehicles to existing investors.

Unit holders in the £43m fund have until July 22 to decide whether to exchange their units for shares, in the ratio of five units for five ordinary shares plus one warrant.

The costs of the transfer will be covered by the investment managers rather than the investors. The proposals for the new trust are conditional on the exchange of at least 30m units, currently worth 53-56p each.

The C-share issue is planned for early September, and will take the form of a placing, with no public offer. It aims to raise up to £24m before expenses.

The articles of the new trust include a promise that if its shares trade at a discount to net asset value of more than 5 per cent for an entire year, proposals will be made to liquidate, restructure or unitise it. Other emerging market investment trust shares have tended to trade at or above net asset value, but wide discounts could be a problem if the sector fell out of favour.

The new investment trust will follow the same principles as its forebear, and its initial portfolio will be almost identical.

Busmen get a ticket to ride on road to riches

Chris Tighe looks at Stagecoach's offer for Busways

Ted Ditchburn

'We aren't shares people:' two bus drivers mull over the offer

Amid the tea mugs and chip butties in Busways Sunderland depot canteen, bus driver Mr Stephen Fox is poring over a sheet of neatly pencilled tax calculations.

At the back of Mr Fox's mind are a new car, satellite TV and a holiday in the States.

At the forefront is how to minimise the tax liability he will attract by taking up the offer from Stagecoach, the quoted bus group, to buy the shares he and his 1,700 colleagues hold in Busways, an Employee Share Ownership Plan business.

"Most people want to take the cash", says Mr Fox, whose six years with Busways would entitle him to £8,500 gross. "You can't turn it down."

"It's an offer you can't refuse", agrees fellow driver Mr John Robinson.

The 1989 management and employee buy-out of Busways from the Tyne and Wear Passenger Transport Authority turned Mr Fox and his colleagues into shareholders, but there was no external market for their shares.

Suddenly, that has changed; to clinch its recommended share offer for Busways, announced last month, Stagecoach is offering to buy employees' shares, valued at around 62p each until now, for £4.58 each.

The employees, who can choose cash, Stagecoach shares, loan notes or a mixture of all three, are being balloted by post; Busways management, which holds 51% of the share capital, has accepted, but an overall 75% acceptance is needed by July 21 if the deal is to proceed.

Among the Sunderland bus drivers, who earn between £175 and £244 gross for a 39 hour week, there is no question whether the deal will be accepted; the offer of between £4,500 and £13,500 in cash, depending on length of service, has settled that.

"Four weeks ago they were going to fight to the end", says one driver, arguing there should have been a vote first, without a cash offer attached, on the principle of the takeover. "The money's swung it. Some would sell their grandmother for a bag of sweets."

"It's called the bird in the hand", says another driver, Mr Keith Bevans. "Underneath all this they are frightened of what Stagecoach will do. I think the offer is too good."

The implications on income tax and capital gains tax are complex, for Busways shares are held in various employee trusts; KPMG and Arthur Andersen have been brought in to hold advice sessions at depots and man a hotline to explain the calculations to Busways staff.

Some drivers may reduce their tax liability by taking some Stagecoach shares, but few seem to be considering any significant holding for its own sake. Loan notes, useful in reducing CGT liability, were felt to be for the management.

Taking the cash, spending some and putting some into a high-interest building society account seem the popular option. "We aren't shares people; we're just ordinary bus drivers", says Mr Steve Hamilton.

There are exceptions; driver Mr Colin Johnson expects to take nearly half his £10,600 in Stagecoach shares. He also has an appointment with his building society to discuss investment.

The drivers are intelligent he says, but for most, shares are new territory; many would prefer to have the money, then see what happens. "It's like having a lucky bag, you just don't know what's going to be there."

Stagecoach has guaranteed maintenance of basic pay rates and bonuses and no compulsory redundancies for three years. Ironically, this has convinced some drivers they should take the money now, lest something nasty happens once the three years are up. "Where there's a carrot, there's always a stick", says one.

Despite this, Stagecoach's Mr Brian Souter, a former bus conductor with a taste for old jeans and red loafers, has impressed the drivers at presentations at their clubs and depots. "He's amazing", says Mr Robinson. "He's just like one of us, he knows what kind of hassle we put up with."

Others doubt Mr Souter rose to become chairman of a business with a turnover of nearly £200m a year by being one of the lads. Mr Souter, says Mr Johnson, is a shrewd businessman. "He could sell sand to the Arabs."

BCE raises £2.5m for acquisition

BCE Holdings, the USM-quoted distributor of snooker, billiards and pool products, is raising a net £2.5m through an underwritten 5-for-4 rights issue at 8p a share to help pay for an acquisition.

The company, where a new management took charge in December, is buying Keabeech, which operates amusement arcades, for £1.89m, satisfied by £1.2m cash and the balance in loan notes.

The vendors are retaining three arcades in the north east of England leaving BCE with the 10 London sites.

In 1993 the 10 London arcades achieved operating profits amounting to £685,000 on turnover of £1.67m. Net assets at the end of the period were £2m.

BCE is also selling two properties for a total of £580,000. However, the sales will result in book losses of £227,000.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
John Labatt (Canada)	Cerveceria Cuauhtémoc-Moctezuma (Mexico)	Brewing	£335m	Taking initial 22% stake
Schroder (UK)	Wertheim Schroder (US)	Banking	£103m	Buying out Wertheim
Renong (Malaysia)/ Bank Rakyat (Indonesia)	Malindo Ventura Nusuntara (JV)	Finance & investment	£66m	Venture capital venture
GKN (UK)/Fiat (Italy)	GKN Component Firenze (JV)	Auto components	£59m	85/15 ownership split
Hasbro (US)	JW Spear (UK)	Toys	£57.3m	21% up on original bid
Seagram (Canada)	Larios (Spain)	Drinks	£41m	Taking 20% stake
ICI (UK)	ICI PM (Malaysia)	Paints	£22m	Upping stake to 60%
Fyffes (Ireland)	Velleman & Tas (Netherlands)	Food	£15.7m	Developing continental side
Royal Bank of Scotland (UK)	Old Stone Federal Savings (US)	Banking	n/a	Continuing New England growth
P&O (UK)	Dunatras (Hungary)	Transport & distribution	n/a	Pan-European network move

Northern Foods £11.5m disposal

Northern Foods has sold Mayhew Chicken to Grampian Country Food Group for about £11.5m cash, including working capital at valuation.

The disposal of Mayhew, which produces fresh whole birds and portions, together with a wide range of frozen added value products, ends Northern's involvement in the poultry sector.

It is in line with the group's strategy of concentrating on sectors where it has substantial market share and lowest cost producer status.

Ashtead makes £3.35m purchase

Ashtead Group, the equipment rental company, has bought GKN Powered Access UK for £3.35m cash.

GKN Powered was established in early 1990 and rents out an extensive range of powered access platforms. Turnover in 1993 was £3.76m with operating losses of £85,000. Ashtead, however, expects the acquisition to be profitable and earnings enhancing in the current year.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:
METALLURG, INC., and SHIELDALLOY METALLURGICAL CORPORATION,
Debtors.

Chapter 11 Case Nos.:
93 B 44468 (JLG)
93 B 44469 (JLG)
(Jointly Administered)

NOTICE OF ENTRY OF BAR ORDER FIXING LAST DAY TO FILE PROOFS OF CLAIM AGAINST DEBTORS

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST OR EQUITY INTERESTS IN METALLURG, INC. OR SHIELDALLOY METALLURGICAL CORPORATION:

PLEASE TAKE NOTICE, that the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered an order dated May 5, 1994 (the "Bar Order") requiring all persons and entities, including, without limitation, individuals, partnerships, joint ventures, corporations, estates, trusts and governmental units, EXCEPT THOSE PERSONS AND ENTITIES DESCRIBED IN PARAGRAPHS A THROUGH C BELOW, that assert a claim (as defined below) against, or equity interests in, Metallurg, Inc. or Shieldalloy Metallurgical Corporation (collectively, the "Debtors," and individually, the "Debtor") which arose prior to September 2, 1993 (the "Petition Date") to file a written proof of such claim, either (i) by mailing the original proof of claim to the United States Bankruptcy Court for the Southern District of New York, c/o Metallurg, Inc. or Shieldalloy Metallurgical Corporation, Bowling Green Station, Post Office Box 55, New York, New York 10274-0055 or (ii) via hand delivery or courier service to the Clerk of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Customs House, One Bowling Green, Fifth Floor, New York, New York 10004-1408, so that it is actually received at the appropriate destination not later than 5:00 p.m. (Eastern Daylight Savings Time) on or before August 15, 1994 (the "Bar Date"). Such proofs of claim will be deemed timely filed only when they are actually received by the Clerk.

As used herein, the term "claim" means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgement, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

PLEASE TAKE FURTHER NOTICE THAT if you are required to file a proof of claim and fail to do so in the manner prescribed above, you will be forever barred from voting upon, or receiving a distribution under, any plan or plans of reorganization for any of the Debtors and will be forever barred from asserting any such claim or interest against either of the Debtors or their successors or assigns, EXCEPT THAT:

A. ANY PERSON OR ENTITY THAT HAS ALREADY PROPERLY FILED WITH THE CLERK A PROOF OF CLAIM AGAINST THE DEBTORS UTILIZING A CLAIM FORM WHICH SUBSTANTIALLY CONFORMS TO OFFICIAL BANKRUPTCY FORM NO. 10, NEED NOT FILE A DUPLICATE PROOF OF CLAIM.

B. ANY PERSON OR ENTITY (i) WHOSE CLAIM IS NOT LISTED AS "DISPUTED," "CONTINGENT," OR "UNLIQUIDATED" IN THE DEBTORS' SCHEDULES OF LIABILITIES PREVIOUSLY FILED WITH THE CLERK OF THE BANKRUPTCY COURT (AS MAY BE AMENDED) AND (ii) THAT AGREES WITH THE CLASSIFICATION AND AMOUNT SET FORTH IN SUCH SCHEDULES NEED NOT FILE A PROOF OF CLAIM.

C. THE CLAIMS DESCRIBED IN ITEMS 1-4 BELOW ("EXCLUDED CLAIMS") ARE NOT AFFECTED BY THIS NOTICE OR THE BAR ORDER AND, THEREFORE, ANY PERSON OR ENTITY THAT HAS AN EXCLUDED CLAIM NEED NOT FILE A PROOF OF CLAIM ON OR BEFORE THE BAR DATE FOR SUCH EXCLUDED CLAIM. ALL OTHER PROOFS OF CLAIMS MUST BE FILED ON OR BEFORE AUGUST 15, 1994 THE BAR DATE:

1. Any Debtor holding an intercompany claim against another Debtor;
2. Any non-debtor subsidiary or affiliate holding an intercompany claim against an Debtor;
3. Any holders of claims allowed by an order of the Court entered on or before the Bar Date and
4. Any person or entity (i) whose name is listed on the List of Equityholders filed with the Court by Metallurg, Inc. on October 6, 1993 pursuant to Bankruptcy Rule 1007 (a)(3), and as amended on April 28, 1994, as a holder of outstanding shares of common or preferred stock or other equity security of Metallurg, Inc. and (ii) that agrees with the number and class of equity securities therein listed for such person or entity; provided, however, that an equityholder who wishes to assert a claim against either of the Debtors as a creditor of such entity that is not based solely upon ownership of an equity interest in the Metallurg, Inc. must file a proof of claim on or prior to the Bar Date unless (i) another exception provided for herein applies, or (ii) the claim is otherwise scheduled by the Debtor.
5. Any holder of a claim arising from the rejection of an executory contract or unexpired lease shall file any such claim on or before the date fixed in the order authorizing such rejection.

PLEASE TAKE FURTHER NOTICE THAT ALL PERSONS AND ENTITIES OTHER THAN THOSE DESCRIBED IN PARAGRAPHS A, B AND C ABOVE MUST FILE A PROOF OF CLAIM ON OR BEFORE THE AUGUST 15, 1994 BAR DATE. SUCH PROOF OF CLAIM MUST BE WRITTEN IN ENGLISH AND ANY AMOUNTS CLAIMED THEREIN MUST BE CONVERTED TO UNITED STATES DOLLARS AND CALCULATED AS OF THE PETITION DATE. FAILURE TO COMPLY WITH THESE REQUIREMENTS SHALL RESULT IN THE HOLDERS OF SUCH CLAIMS OR EQUITY INTERESTS, BEING FOREVER BARRED FROM VOTING UPON OR RECEIVING ANY DISTRIBUTION OF CASH OR PROPERTY UNDER ANY PLAN OR PLANS OF REORGANIZATION FOR THE DEBTORS IN THESE CASES, OR FROM ANY SUCCESSOR TO OR ASSIGNS OF ANY DEBTOR.

PLEASE TAKE FURTHER NOTICE THAT acts or omissions of the Debtors that occurred prior to the date of filing for relief under the Bankruptcy Code, including any Debtor's indemnity agreements, guarantees, or services provided to or by a Debtor, may give rise to claims against such Debtor notwithstanding the fact that such claims (or the injuries on which they are based) may be contingent or may not have occurred, matured or become fixed or liquidated prior to such date. Therefore, any creditor having a claim or potential claim against a Debtor, no matter how remote or contingent, must file a proof of claim on or before the August 15, 1994 Bar Date.

PLEASE TAKE FURTHER NOTICE THAT each proof of claim form filed must conform substantially to Official Bankruptcy Form No. 10 copies of which are on file with the Office of the Clerk of the Court. Proofs of claim must be filed either (a) by mailing each such proof of claim so that it is RECEIVED on or before August 15, 1994 to:

United States Bankruptcy Court
for the Southern District of New York
c/o Metallurg, Inc. or
Shieldalloy Metallurgical Corporation
Bowling Green Station
Post Office Box 55
New York, New York 10274-0055

or (b) by sending your original proof of claim via hand delivery or courier service to the Office of the Clerk of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, Fifth Floor, New York, New York 10004-1408 so that it is RECEIVED at the applicable destination on or before 5:00 p.m. Eastern Daylight Savings Time on August 15, 1994.

PLEASE TAKE FURTHER NOTICE THAT copies of the Debtors' respective Schedules of Liabilities and Metallurg, Inc.'s List of Equityholders are available for inspection during the hours of 10:00 a.m. to 12:00 noon and 2:00 p.m. to 4:00 p.m. during the days of Monday through Thursday at the Office of the Clerk of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, Fifth Floor, New York, New York 10004-1408.

Dated: New York, New York
May 5, 1994

BY ORDER OF THE COURT

THE HONORABLE JAMES L. GARRITY, Jr
UNITED STATES BANKRUPTCY JUDGE
UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
ALEXANDER HAMILTON CUSTOMS HOUSE
ONE BOWLING GREEN
NEW YORK, NEW YORK 10004-1408

Cariplo will await world recovery before relaunch

By Andrew Hill in Milan

Cariplo, the Italian savings bank, hopes to relaunch its postponed international share issue "soon", but only when world markets recover confidence, according to the bank's chairman.

The Milan-based bank, which claims to be the world's largest savings bank, is the latest victim of what analysts have called "issue fatigue" on the Italian market.

It suspended the issue on Friday night. The shares were supposed to go on sale today, raising as much as L1,650bn ($1.02bn) and giving Cariplo its first stock market listing since its foundation 171 years ago.

In an interview published in yesterday's Corriere della Sera, the Milan daily, Mr Sandro Molinari, Cariplo's chairman, said: "We will re-table plans for the operation when dealers are more optimistic about the markets. And note that I'm talking about all markets. The Italian market is not alone in being dominated by a cautious tone, and a low level of confidence."

Mr Molinari pointed out that the bank did not need funds. He also denied that the decision had been influenced by local politicians, in particular the regionalist Northern League, which appoints two directors of the foundation which controls Cariplo.

The League is unhappy about rules limiting the foundation's use of dividends after flotation.

Italian companies had planned to raise more than L10,000bn of capital on the Milan stock market during July.

Cariplo's decision to delay its issue came three weeks after the postponement of a L1,500bn rights issue by Mediobanca, the influential Milan merchant bank, and in the same week as shares in Ina, the newly privatised insurer, began trading sluggishly.

The Ina shares, which were made available in the biggest Italian privatisation yet, have barely risen above the issue price of L2,400.

Former chairman faces trial

A Milan judge decided at the weekend to send for trial Mr Paolo Berlusconi, brother of the Italian prime minister, Mr Bettino Craxi, former socialist prime minister, Mr Roberto Mazzotta, former Cariplo chairman, and 17 others, on charges related to bribes allegedly paid on property deals with the Cariplo pension fund.

Investigating magistrates believe some L14bn of bribes were paid to the Christian Democrats and the socialists. Mr Berlusconi has claimed he paid only normal intermediary fees.

Cariplo itself says the affair is purely a personal matter for those involved and that its inquiries show the affair will have no impact on the bank's operations.

Citibank in $165m loan to Alcatel offshoot

By John Murray Brown in Istanbul

Citibank of the US has agreed terms with the Turkish government for a $165m loan to bail out Teletas, the Turkish arm of Alcatel, the French telecommunications group.

The deal rescues Turkey from an embarrassing position, where the liquidity crisis at PTT, Turkey's state telecoms company, had forced Teletas, which is 65 per cent owned by Alcatel, to seek court protection from its creditors.

The loan will allow Teletas to restart operations. It also goes some way to salvage Turkey's battered privatisation image. Teletas was Turkey's first privatised company when spun off from PTT in 1988. Parliament last month agreed to the sale of 49 per cent of PTT next year.

The loan carries government guarantees. The credit will be paid to PTT to settle outstanding accounts of around TL4,000bn ($120m) with Teletas for equipment and other supplies. The facility will also allow Teletas to settle with its own creditors – 34 foreign and domestic banks which are owed TL2,743bn.

Around 95 per cent of Teletas equipment sales go to PTT. Alcatel has undertaken to route more of its sourcing of supplies to its Turkish unit.

Citibank said the loan will provide PTT with cashflow, will improve the maturity composition of PTT's debts, and allow it to continue its investment programme.

ACG set to create a global footprint

General Motors' components business is entering a new era, says John Griffiths

General Motors' vast automotive components business has been turned into a separate entity with greater autonomy and a brief to seek business outside the GM group as aggressively as possible.

To talk of a new era is not over-stating the case. If the company – ACG Worldwide – has its way, dependence on GM's North American vehicle assembly operations will have been reduced to little more than 45 per cent by the end of the decade from 85 per cent at the start of the 1990s.

By then, ACG intends to have created a "global footprint" of component manufacturing and joint venture plants, capable of supplying any other vehicle maker with components systems wherever they might choose to set up a vehicle assembly plant.

Despite substantial job cuts since the late 1980s, ACG still employs 176,000 people worldwide, operates 180 manufacturing plants in 23 countries and has 13 technical centres and proving grounds. Sales last year topped $25bn.

Given a business base of this magnitude, the financial implications for rival motor components companies could be daunting should ACG manage to meet its business goals.

ACG is more than twice as big as its largest rival component groups, such as Robert Bosch of Germany and Japan's Nippondenso. Whereas most competitors concentrate on specific areas, ACG's six divisions – reduced from 13 in the mid-1980s – embrace all vehicle the key component systems.

Around 27 per cent or almost $7bn of last year's turnover was earned from customers outside GM's North American Operations (NAO). Given that ACG has no intention of yielding up any GM business, the planned sales ratio targets imply a more than tripling of non-NAO sales to $22bn, at current prices, says Mr J.T. Battenberg III, ACG president.

Such ambitions are likely to be regarded with some scepticism by major European and Japanese components groups. Many of them have been moving as fast as ACG to cut costs and raise productivity – a few much faster. And they can point to a lacklustre past performance for many of GM's components operations.

Yet based on contracts signed or pending, an interim target of 30 per cent non-NAO sales by 1996 now looks certain to be exceeded.

The non-NAO business is not wholly non-GM. It includes unquantified sales to Opel, GM's German cars division, and other GM subsidiaries. But Mr Battenberg insists that, in the wake of the "purchasing revolution" instituted at GM by its controversial former purchasing director Mr Jośe Ignacio Lopez de Arriórtua, ACG is having to fight for the business like anyone else.

Of $900m in non-NAO business secured in the past year or so, only $56m is acknowledged to have come from Opel.

ACG maintains that a number of factors are running in its favour – although they should serve to increase the size of the cake for rivals, too.

Not least is Mr Battenberg's contention that the components business is growing at twice the rate of vehicle sales. "More customers want power steering, brakes, catalysts, on-board diagnostics; there are increasing legislative demands, in the realms of environment and safety, which will also increase vehicle sophistication and thus component content.

Bolstered by increasingly tough environment and safety standards, the motor components market is growing at twice the rate of vehicle unit sales

"Many of the growing areas are where we're particularly good – the market's going our way," he declares.

ACG's specific forecasts for the period to 2000 appear startling. It projects 5 per cent annual growth for Europe's vehicles market – but 7 to 10 per cent for components. It projects 4 per cent annual vehicle growth in the Asia Pacific region and 6 per cent in Latin America – but 10 to 15 per cent growth in each for components.

Shorter car and truck replacement cycles and market fragmentation – typified by four-wheel-drives, MPVs (multi-passenger vehicles) and the return of the sports car – are increasing the volume and variety of demand. The vehicle industry has also become global and requires globally-capable first tier suppliers – another point mostly to ACG's advantage.

ACG can be global partners with pretty well everyone, says Mr Battenberg. "As Mercedes, for example, moves into the US, Mexico and Eastern Europe, we have already got components manufacturing bases lined up wherever they are moving."

Only last week ACG secured the contract to supply the dashboard module, wiring harness and other components for the leisure four-wheel-drive vehicle Mercedes is to start producing in Alabama in 1998.

Mr Ned McLurg, a GM vice-president and general manager of the newly-formed AC Delco Systems division, also stresses the substantial business his division has won with Toyota.

Where GM has had clear success is in forging individual divisions into a coherent corporate identity. Individually the names within the new ACG empire are well known: Delco Chassis, Saginaw (steering systems), Harrison (thermal management systems), Packard Electric, Inland Fisher Guidse and AC Delco Systems, newly created by combining AC Rochester (engine management) and Delco Remy (electrical energy storage and conversion).

Additionally, two other entities, ACG Europe and ACG Asia Pacific, are charged with finding non-NAO business.

But in the outside world they have tended to trip over each other, duplicating contacts with non-GM companies and failing to capitalise on poolable assets. This, too, Mr Battenberg aims to redress.

He is the first to acknowledge that ACG's road ahead is rough. Vehicles makers require sharp reductions in costs both from themselves and their suppliers. And while ACG's precise financial performance is buried within GM's consolidated accounts, it has been struggling to emerge from two years of losses in the early 1990s.

To that end, some $3.5bn worth of non-core businesses are being shed. Between 1991 and last year, hourly paid employment fell from 160,000 to 147,000, at the same time as turnover rose from $21.8bn to $25.1bn. By the end of this year, costs will have been reduced by some $4.5bn and 12 plants closed.

ACG admits to a turnround in earnings before interest and tax of nearly $2bn in the past two years. That it is now making profits has prompted speculation that last week's separation of ACG from the rest of GM may be the precursor to an eventual flotation.

Metallgesellschaft displays its nerves of steel amid restructure

Continued from Page 17

adamant that Buderus would not be sold. Buderus is not the only part of the sprawling Metallgesellschaft empire to be sold. Mr Neukirchen's drastic restructuring plans will cut the number of the group's subsidiaries by half, from 655 at present.

The new Metallgesellschaft will be much smaller than the old. The medium-term aim is a group with turnover of DM14bn a year, compared with DM26bn last year, employing 20,000 people, a third of the near 60,000 on the payroll in March last year.

Business will be focused on four main areas – trade, plant construction, financial services and chemicals.

These core businesses imply an eventual withdrawal from the group's traditional mining activities – concentrated in the Canada-based Metall Mining, a 50.1 per cent owned subsidiary – and from its loss-making base-metals smelting activities.

The most important measures in the first seven months include job cuts – the plan is to shed 7,500 jobs with annual savings of DM550m – and the introduction of a new holding structure for the group.

Announced last week, the new structure goes hand in hand with a much reduced head office staff and a slimmer main board of five rather than seven directors.

The group has also halved its DM1.1bn investment plans, cut working capital and stocks, and taken the axe to its base-metals operations, closing a tin plant and a zinc alloy works and halving zinc production at its Ruhr-Zink smelter in Datteln.

In addition Mr Neukirchen has to date raised DM2bn from disinvestments – DM1.2bn from Buderus and the balance from smaller disposals – and is holding talks on further sales.

Among the assets up for sale are the group's 28,000 sq m head office site in Frankfurt city centre, which could fetch DM750m.

The impact of the cost cuts would show through in the results for the fourth quarter of the current financial year, Mr Neukirchen said last week.

The group's immense debts should be down to DM5bn by the end of September next year, from DM9.4bn at the end of 1993. "Bankers' nerves are excellent," Mr Neukirchen quipped.

However pleased with progress in the first seven months, Mr Neukirchen was quite candid about how long it would take for Metallgesellschaft to get back on its feet.

"The problems will take as long to clear up as they took to develop," he said. The full rationalisation would take five years, Mr Neukirchen indicated, the length of his contract as chairman.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Bronwen Maddox

Hidden casualties of the curve

Within days, companies will begin to shower Wall Street with figures on their second quarter trading. The results season will help answer some of the questions currently troubling world markets, notably the impact of rising commodity prices on profit margins. It will also shed light on a point which has attracted less attention: the damage inflicted on corporate earnings by the shift in the yield curve.

It is no secret that corporate treasurers have been playing in the interest rate swaps markets along with the hedge funds and the proprietary trading desks of banks. The $102m losses on swaps contracts revealed in the first quarter results of Procter & Gamble, the US consumer goods group, showed that the hedges were not alone in their exposure to this year's interest rate hikes. But despite those examples, Wall Street may not fully have taken on board the implications of rising interest rates for corporate earnings.

In the past three years, corporate treasurers have enthusiastically taken advantage of the steepness of the yield curve to cut the cost of borrowing. Through interest rate swaps, they have replaced expensive fixed rate long-term debt with much cheaper short-term floating rate debt.

Some, at least, seem to have believed that monetary policy would not allow interest rates to rise to the extent implied by the curve – as P&G's losses indicated. To a large extent, P&G is a special case: the two deals in question were complex, highly leveraged swaps, multiplying many times the effect of rises in US and German interest rates.

But if a new report by Salomon Brothers is correct, many companies employing more straightforward swaps will also have been squeezed, although to a lesser extent.

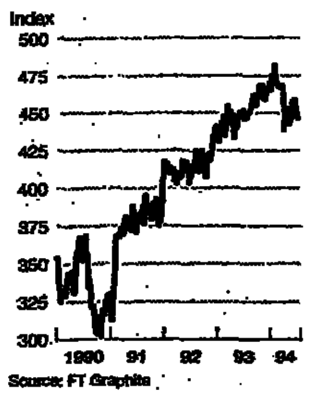
Salomon estimates that over the past three years, industrial companies have swapped between 10 per cent and 20 per cent of their fixed-rate investment-grade debt into floating rate debt. Corporate treasurers, striking that kind of contract last autumn, would have expected to cut annual interest charges by 150 basis points.

However the movement in interest rates since then has entirely wiped out the expected savings. If rates rise further, companies could be forced to pay more in interest than they would have on their original long term bonds.

One response to this argument is that it understates the degree to which companies have taken steps to limit their exposure. It would also be easy, given the P&G spectacle, to overstate the effect. But if right, the calculations imply that earnings expectations for the second half of this year and for 1995 are too high.

Salomon attributes more than a quarter of the improvement in profits of the S&P industrial sector between 1991 and 1993 to the falling cost of borrowing. If mainstream corporate America is now as exposed to rising interest rates as Salomon argues, then the much vaunted-recovery in corporate fortunes could be more easily undermined than much of Wall Street has assumed.

S&P 500 Composite



Source: FT Graphite

S&P 500 earnings forecast

	1993	1994	1995
Est EPS ($)	27.2	31.3	36.8
P/e ratio	16.4	14.2	12.1
Est. % growth	16.5	15.4	17.5
No. of comps*	500	500	494
% change EPS since 05/31/94	-	-0.5	-0.4

*Number of companies in the index for which data are available in IBES for each fiscal period. "Bottom Up" brokers' estimates at June 30 with S&P index at 444.27

Source: IBES

Total return in local currency to 7/7/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.08	0.04	0.10	0.10	0.16	0.09
Month	0.36	0.18	0.43	0.46	0.65	0.42
Year	3.63	3.09	6.50	6.19	9.00	5.75
Bonds 3-5 year						
Week	0.42	0.00	0.45	-0.25	0.04	0.29
Month	-0.56	0.44	0.38	-0.26	-1.61	0.28
Year	-0.46	5.25	5.40	3.34	8.40	2.32
Bonds 7-10 year						
Week	0.47	-0.21	0.13	-0.31	-0.07	0.51
Month	-1.60	-0.12	0.41	-0.97	-2.71	0.30
Year	-3.32	4.92	3.09	0.68	8.62	0.51
Equities						
Week	0.9	-0.5	0.8	1.2	1.0	1.6
Month	-2.0	-1.3	-3.6	-5.1	-6.8	-1.3
Year	3.8	6.7	18.3	5.4	27.6	8.5

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

■ Swedish bonds

Late last week the bravest investors began to creep back to the Swedish markets, pointing to the success of the SKr6.5bn government bond issue amid the turbulence. Mr Atle Bekken at Enskilda Corporate, a leading broker in Swedish markets, even suggested that the rest of July would treat the markets well.

It is far from clear, though, that confidence is well-founded. The bond issue was helped by high yields, the 7-year bonds offering 10.51 per cent and the 15-year offering 11.05 per cent.

Moreover the fundamentals remain unchanged. The points to which Skandia, the insurance giant objected last week, in announcing that it would not participate in government bond auctions, justify alarm. Sweden has the fastest growing debt among Organisation for Economic Co-operation and Development members, at 80 per cent of gross national product at the end of 1993.

The budget deficit, which reached 13 per cent of GNP last year, may fall slightly this year. But taxes can scarcely rise further, and public spending cuts are politically inaccessible with the general election fast approaching.

That is not to say that the fragility of the krona and of Swedish bonds offer speculators a one-way bet. The government is capable of making such a gamble expensive and it is conceivable that an incoming government would make slashing public spending its priority.

But it would be astounding if many do not take the opposite view. You do not need to invoke the spectre of the tattered hedge funds, which have only partly repaired their resources after this spring's trauma in the bond markets, to expect further pressure.

■ Polish strikes

The threat of an outbreak of Polish strikes in support of higher wage claims has understandably rattled foreign investors. The four-week strike at the Warsaw steelworks owned by Lucchini, the Italian steelmaker, has been followed by threats of action at Fiat Auto in southern Poland. The Solidarity union in Warsaw has also threatened a boycott of Italian goods.

But it would be too gloomy to suggest, as some have, that this could stall the inflow of capital underpinning the Polish transformation. They have come from workforces which stand a good chance of reaching Western European productivity levels, producing western-standard goods.

The demands were also inevitable. Wages in a country on the German borders were not going to stay at one eighth of western European levels for long. The expression of union muscle represents a return of workers' confidence, but it need not undermine that future. It does, though, mean the end of the bargains.

COMMODITIES — Richard Mooney

Crunch time for rubber pact

Co-operation between producers and consumers on stabilising natural rubber prices has been under strain for some time as the two sides have clashed over what price range should be defended by the buffer stock manager of the International Rubber Organisation.

A decision on the future of the international market pact operated by Inro must be taken at a meeting in Geneva on October 3-14, but members hope that by then the deadlock may have been broken. To that end representatives from Indonesia, Malaysia, Thailand, Japan, the European Union and the US, among others, begin a three-day meeting tomorrow in Kuala Lumpur.

The dispute centres on the International Natural Rubber Agreement's reference price, which guides market interventions by the buffer stock manager – last week he made an unspecified amount of sales because world prices, already in the "may buy" range, were pushing up towards the "must buy" level. Producers argue that the reference level should be raised to accommodate further market strength, while consumers insist that it should stay at or near the present level.

Hopes for a successful outcome have been encouraged by the buffer stock manager's selling last week. "A failure to do so could have a negative impact on the present discussions," an EU official had warned before the sales were announced.

Other points of interest this week include today's publication of the International Primary Aluminium Institute's May stocks figures, which traders hope will show a quickening decline, reflecting recent internationally-agreed output cuts. Today also sees the opening in Sydney of the two-day "Mining Summit" of the Association of South-east Asian Nations.

Tomorrow grain traders in particular will be watching for the publication of US Department of Agriculture crop production and world supply/demand reports.

Economic Eye / Guy de Jonquieres

Innovative technology

A few years ago, a senior Eurocrat lectured me on why Europe's future hinged on information technology. IT was so vital, he insisted, that control over its production would determine competition in every other business. "If we have no IT industries, Japan and the US will dominate our economies," he said.

Such extreme paranoia is rare. Yet there is a tenacious belief, even among more sober policymakers, that high-tech is "special" and merits attention which they would never lavish on other industries.

In the name of investing in future prosperity, Europe has pumped billions of Ecus into collaborative research and development efforts, such as Esprit and Eureka, intended to strengthen the competitiveness of producers across a range of high-tech sectors.

That Europe's high-tech trade balance has nonetheless continued to deteriorate, and that it has been marginalised in the computer and semiconductor markets, has caused some in Brussels to question the value of these efforts.

But such doubts have not deterred the Clinton administration from embarking on a similar course. In the past 18 months, it has launched a battery of initiatives to support industrial R&D and product development.

Washington has long been the world's biggest R&D spender, with an annual budget of $70bn. Most of the money has been for federal defence, space and energy programmes. The aim now is to re-orient spending to bolster producers in commercial markets. Whether results in the US will be any better than in Europe is debatable. But a more basic question is why high-tech attracts privileged treatment. Few of the most common explanations look convincing.

One is that high-tech and other research-intensive industries matter because they account for an above-average share of output in advanced economies. But while that is true in the aggregate, individual industries' wealth-creating performance vary widely.

Many leading pharmaceuticals companies are phenomenally profitable. But value-added per worker in US electronics manufacturing is barely an eighth of that in cigarette-making. Few jet airliner programmes ever recover their costs, while Philips, Europe's biggest electronics group, had negative value-added for many years.

Some high-tech enthusiasts concede that point, but argue that the real benefits are more indirect. For instance, they say, high-tech industries raise skill levels by employing highly trained workers at above-average wages.

But surely, in market economies, well-qualified workforces stimulate the creation of productive and rewarding jobs, rather than the reverse. That is certainly the lesson of Asia's "tiger" economies.

Another argument made in high-tech's favour is that it generates research-based spillovers which enrich the rest of the economy. However, generalisations are difficult. Civil aircraft makers clearly gain from defence research, while California's Silicon Valley has prospered hugely from the ceaseless cross-fertilisation of ideas and technology.

It is less clear who has benefited from IBM's renowned habit of investing heavily in research which it often never exploited. In truth, spillovers depend as much on the effective diffusion of technology as on its volume and quality.

Governments also often claim that a strong high-tech capacity is strategically necessary. Without local access to advanced technologies, it is said, users will be at the mercy of foreign producers.

But in many high-tech industries, notably electronics, success often depends less on originating research than on appropriating it through efficient volume manufacturing. As a result, today's vital technologies can quickly become tomorrow's low-margin commodities.

In this context, the Pentagon's recent project in flat panel display screens seems to be tempting fate. Worried by its reliance on scarce supplies from Japan, it has offered $500m in subsidies to persuade US companies to make them. Yet Korean companies are now investing in so much production capacity that the shortage may soon become a worldwide glut.

Finally, it is often argued that high-tech is special because of its pervasive importance to industrial users. But though its application is commercially necessary, it rarely confers decisive advantage. Indeed, a recent international analysis of manufacturing by McKinsey, the management consultancy, found no instance where superior use of high-tech explained a market leader's success.

So why do high-tech industries exude such political allure? One reason may be that many have long depended heavily on governments as customers, owners or regulators. Such cosy relations favour clientelism and special interest lobbying.

Second, high-tech industries' glamour and fast-changing nature have encouraged a belief that more technology-push means more innovation. Witness, for instance, the UK government's recent effort to ginger up industrial performance by publishing a corporate R&D "scoreboard".

But technology and innovation are separate things, and the relationship between them is complex and subtle. If government policies drew the distinction more clearly, they would avoid a lot of misdirected effort and expensive mistakes.

EXPORT MARKET SHARES[1] AND IMPORT PENETRATION[2] 1970 AND 1990

	High technology 1970	High technology 1990	Medium technology 1970	Medium technology 1990	Low technology 1970	Low technology 1990
Canada	3.9	2.8	8.9	5.9	7.0	6.1
	42.2	**63.4*	*42.9*	**53.3*	*12.1*	**16.8*
France	7.7	8.7	8.5	10.0	10.7	12.1
	21.6	*†31.6*	*19.7*	*†34.1*	*10.7*	*21.4*
Germany	17.7	16.2	23.1	24.7	15.0	17.9
	14.9	*§37.0*	*17.2*	*§29.5*	*11.1*	*§30.9*
Italy	5.5	5.1	7.1	7.7	8.5	12.8
	16.2	*‡22.8*	*23.6*	*‡28.9*	*11.6*	*‡15.7*
Japan	13.2	21.1	8.5	16.9	13.2	7.1
	5.2	*§5.4*	*4.5*	*§5.9*	*3.0*	*§6.6*
UK	10.5	10.2	11.9	8.5	8.9	8.5
	17.4	**42.4*	*n/a*	**39.4*	*12.4*	**19.8*
US	31.1	26.3	21.7	15.4	13.4	13.3
	4.2	*§18.4*	*5.6*	*§18.5*	*3.8*	*§8.8*

[1]. Export market shares are calculated across 13 OECD countries; thus the seven shares presented here do not equal 100. [2]. Import penetration figures in italics. * 1988, † 1986, § 1989, ‡ 1987. Source OECD

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.07.94: Pool purchase price £/MWh	Final Prices for Trading on 12.06.94: Pool purchase price £/MWh	Final Prices for Trading on 12.06.94: Pool selling price £/MWh
0030	9.80	10.34	10.34
0100	9.58	9.62	9.62
0130	9.57	9.61	9.61
0200	9.55	9.62	9.62
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

[illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.07.94: Pool purchase price £/MWh	Final Prices for Trading on 13.06.94: Pool purchase price £/MWh	Final Prices for Trading on 13.06.94: Pool selling price £/MWh
0030	9.90	9.60	9.60
0100	9.58	9.59	9.59
0130	9.58	9.60	9.60
0200	9.58	9.60	9.60
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
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1600	[illegible]	[illegible]	[illegible]
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1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY JULY 8 1994: US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JULY 7 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (69)	163.29	-2.1	157.22	101.75	133.63	148.60	-9.1	3.71	162.77	156.71	101.88	133.24	148.45	169.15	138.28	138.46
Austria (17)	185.66	0.4	178.75	115.68	151.93	151.85	-8.8	1.05	184.71	177.84	115.81	151.20	151.32	195.41	147.30	147.30
Belgium (37)	166.66	2.6	160.65	103.97	136.55	133.90	-7.7	4.13	167.25	161.03	104.88	136.91	134.40	176.67	143.62	146.61
Canada (105)	124.18	-6.6	119.56	77.38	101.63	125.02	-4.0	2.71	123.69	119.09	77.42	101.25	124.39	145.31	120.54	126.78
Denmark (33)	259.52	5.0	249.86	161.71	212.38	218.51	-4.3	1.36	259.16	249.51	162.20	212.14	218.47	275.79	207.58	214.19
Finland (24)	151.32	22.8	145.69	94.29	123.84	165.34	10.4	0.86	150.76	145.15	94.36	123.40	165.48	156.72	95.42	98.76
France (97)	164.92	-6.3	158.78	102.76	134.96	139.86	-14.2	3.20	164.64	158.51	103.04	134.77	139.81	185.37	149.60	162.97
Germany (58)	139.03	-0.9	133.85	86.63	113.77	113.77	-10.1	1.82	138.73	133.57	86.83	113.56	113.56	147.07	112.69	114.30
Hong Kong (56)	343.46	-29.8	330.69	214.02	281.08	340.78	-29.8	3.48	345.20	332.36	216.06	282.58	342.52	506.56	271.42	266.97
Ireland (14)	187.82	1.4	180.83	117.03	153.70	173.87	-6.1	3.51	187.75	180.76	117.51	153.69	173.65	209.33	155.93	155.93
Italy (60)	83.66	22.0	80.55	52.13	68.47	97.66	11.4	1.62	83.76	80.65	52.43	68.57	98.19	97.78	57.88	68.54
Japan (469)	168.01	29.1	161.76	104.69	137.50	104.69	14.0	0.73	168.02	161.77	105.16	137.54	105.16	170.10	124.54	145.46
Malaysia (98)	460.95	-22.1	443.81	287.23	377.23	460.99	-24.9	1.77	454.55	437.64	284.50	372.09	454.68	621.63	322.60	333.29
Mexico (18)	1968.76	-17.6	1895.51	1226.75	1611.15	7314.61	-9.8	1.83	1942.03	1869.77	1215.49	1589.67	7219.29	2847.06	1486.21	1486.21
Netherland (27)	200.76	0.8	193.29	125.09	164.30	161.76	-8.3	3.51	200.78	193.31	125.67	164.35	162.02	207.43	164.59	168.06
New Zealand (14)	65.82	-3.1	63.37	41.01	53.86	58.06	-9.9	4.12	65.72	63.28	41.14	53.80	58.39	77.59	51.62	52.30
Norway (23)	189.99	5.8	182.92	118.38	155.48	178.18	-2.8	1.86	191.66	184.53	119.96	156.89	179.86	206.42	158.74	156.75
Singapore (44)	325.59	-11.4	313.48	202.88	266.46	228.14	-16.3	1.85	322.46	310.47	201.83	263.96	225.95	378.92	244.27	249.52
South Africa (59)	267.59	0.2	257.63	166.74	218.98	277.23	10.7	2.29	266.31	256.40	166.66	217.99	277.35	284.66	175.93	207.79
Spain (42)	134.97	-3.1	129.95	84.10	110.45	133.17	-11.7	4.34	133.45	128.49	83.53	109.24	132.11	155.79	118.33	123.37
Sweden (36)	200.70	2.2	193.23	125.06	164.25	231.47	-4.5	1.73	198.92	191.52	124.51	162.84	230.84	231.35	166.36	166.36
Switzerland (47)	158.17	-1.2	152.29	98.56	129.44	130.06	-11.8	1.87	159.96	154.01	100.12	130.94	131.56	176.56	124.46	128.19
United Kingdom (205)	186.11	-8.2	179.18	115.97	152.31	179.18	-12.8	4.20	186.24	179.31	116.57	152.45	179.31	214.96	170.32	173.17
USA (519)	183.32	-3.5	176.50	114.23	150.02	183.32	-3.5	2.92	182.87	176.07	114.46	149.69	182.87	196.04	178.95	183.60
EUROPE (720)	163.88	-2.7	157.78	102.11	134.11	148.07	-10.3	3.15	163.90	157.81	102.59	134.17	148.24	179.68	142.48	144.02
Nordic (116)	201.00	6.1	193.52	125.24	164.49	197.52	-2.2	1.51	200.01	192.56	125.18	163.72	197.39	220.80	160.28	160.71
Pacific Basin (750)	173.70	19.7	167.24	108.23	142.15	113.42	7.2	1.05	173.64	167.18	108.68	142.14	113.82	175.87	134.79	149.46
Euro-Pacific (1470)	169.44	9.3	163.14	105.58	138.66	127.58	-0.7	1.90	169.42	163.11	106.03	138.68	127.92	170.78	143.68	147.12
North America (625)	179.65	-3.6	172.97	111.94	147.02	179.32	-3.5	2.92	179.20	172.53	112.16	146.69	178.86	192.73	175.67	180.06
Europe Ex. UK (515)	148.13	0.4	142.62	92.30	121.22	129.20	-8.7	2.53	148.11	142.60	92.70	121.24	129.38	157.47	124.77	125.68
Pacific Ex. Japan (281)	233.29	-16.6	224.61	145.36	190.92	209.52	-21.5	3.05	232.59	223.94	145.58	190.40	209.09	286.21	184.93	188.78
World Ex. US (1653)	170.16	8.2	163.83	106.03	139.25	130.60	-0.7	1.93	170.08	163.75	106.45	139.22	131.09	172.51	146.68	147.88
World Ex. UK (1967)	172.28	5.2	165.87	107.35	140.99	143.92	-0.5	2.08	172.05	165.65	107.68	140.83	144.01	175.58	155.96	157.45
World Ex. So. Af. (2113)	172.96	3.9	166.52	107.77	141.54	146.22	-1.9	2.27	172.77	166.34	108.13	141.42	146.31	178.56	158.36	158.62
World Ex. Japan (1703)	178.88	-4.7	172.22	111.46	146.39	171.24	-7.4	2.89	178.57	171.93	111.77	146.17	171.03	195.20	166.51	167.80
The World Index (2172)	173.52	3.8	167.07	108.12	142.00	147.20	-1.8	2.27	173.32	166.87	108.48	141.86	147.29	178.97	158.59	158.66

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 120.22 (Local).
Constituent change during the week ending 8/7/94: Name Change: Univa is now Provigo (Canada).

EMERGING MARKETS: This Week

The Emerging Investor / Damian Fraser

Nervousness over Mexican election

With less than six weeks before Mexico's presidential election, investors in the country's stock and money markets are uneasy. The governing party may be the clear favourite to win, but many fund managers seem unwilling to commit money to the market before knowing the result.

While equities have recovered a little this month, they were down nearly 9 per cent in June and, over the year, the principal index has lost 19 per cent in dollar terms. In recent weeks volume has been unusually low, and several large and arguably ill-timed equity offerings have had to be postponed or priced at heavy discounts, casting a further cloud over the market.

The exchange rate has come under renewed pressure, with the peso trading at 3.40 to the dollar, its upper limit. One Mexican money manager reckons that some $100m a day is leaving the country because of election fears. The weakness of the peso has caused short-term interest rates to edge up to 16.5 per cent, back to the level of early June. "People are staying on the sidelines" says Mr Stefano Natella of CS First Boston. "They do not want to buy ahead of an election when there is some uncertainty over what will happen."

The electoral doubt has coincided with the rise of US interest rates and poor performance on Wall Street, both of which have helped pull the Mexican bolsa further down. Foreign investors account for the greater part of trading in Mexican securities, making the stock market particularly vulnerable to jitters in the US.

"The US situation is the ultimate cause of a lot of the volatility", says Mr Geoffrey Dennis of Bear Stearns. Higher US interest rates have added to the pressure on the peso, and along with the election uncertainty, explain the rise in domestic rates.

While the opposition has only an outside chance of winning the presidency, the election is certainly closer than many had expected. After winning Mexico's first ever television debate in May, Mr Diego Fernández de Cevallos of the centre-right National Action Party closed the gap in opinion polls with Mr Ernesto Zedillo, the ruling party candidate, although recently his support has slipped again.

While Mr Fernández generally supports the pro-market economic policies of the current administration, he and his party have no experience of government, and there is tremendous uncertainty about how he would manage the country in the event that he won the election. After 65 years of continuous rule of the PRI, the handover of power to another party would not be easy.

Even if, as likely, the PRI wins, any indications of electoral fraud or voting irregularities could provoke a wave of electoral protests from the opposition that might cause a serious political crisis. The 1988 presidential election was marred by widespread reports of fraud, with Mr Cuauhtémoc Cárdenas, then as now the principal candidate of the left, claiming there had been a coup d'etat by the ruling party.

With the political system already reeling from the Zapatista revolt in Chiapas at the New Year, and the March assassination of the PRI's presidential candidate, Luis Donaldo Colosio, the ruling party's ability to withstand such protests is much reduced. Says one PRI official: "We have little margin for manoeuvre. Our victory will have to be credible or there will be difficulties."

The awkward domestic and international environment and the related increase in interest rates has squeezed economic growth this year. In the first quarter, the economy barely grew compared to the same period last year, and the consensus forecast of growth for the year is about 2 per cent. Last year the economy expanded by just 0.4 per cent.

The low growth and weak exchange rate, which has forced Mexican companies to report large losses on their foreign debt holdings, has led to a sharp decline in the forecast earnings growth of Mexico's leading companies. Baring Securities has recently reduced its estimate of the average real growth in earnings per share for Mexico's largest 36 companies from 20 per cent to 13 per cent.

If the political uncertainty continues some analysts expect that the government will have to devalue the currency. In spite of the low economic growth, Grupo Moneda, a financial research house in Mexico City, reckons that the current account deficit will reach $25.6bn this year, or 7 per cent of GDP. Even with real interest at close to 10 per cent, capital inflows are unlikely to cover such a large deficit, forcing the central bank to run down its reserves.

"There is a huge overvaluation of the peso" says Mr Rudiger Dornbusch, an economics professor at the Massachusetts Institute of Technology. "It is crazy to postpone the day because of concerns of the foreign debts of Mexican companies. The state of siege will only go away when the peso is devalued." Mr Dornbusch says that a 20 per cent devaluation would be sufficient to allow a cut in interest rates, and a resumption of growth.

In spite of such warnings, many analysts are advising their clients to buy on the grounds that most of the bad news has been discounted by the market already and that, after the election, the situation will improve. Mexico's stock market is currently trading at about 13.8 times this year's earnings, and 11.1 times 1995 earnings, according to Baring Securities, making it exceptionally cheap by historical and international standards.

"If you believe that Mr Zedillo is going to win, and that the situation will return to normal after the elections then the market looks very attractive" says one Mexican money manager; "but after what has happened this year, investors are not taking anything for granted."

Ten best performing stocks

Stock	Country	8/7/94 $ close	Week on week change $	Week on week change %
Brisa	Turkey	0.1542	0.0454	41.70
Banco do Brasil (Pfd)	Brazil	0.0234	0.0063	36.81
Petrobras (Pfd)	Brazil	0.1251	0.0298	31.27
Light Servicos De Eletricade	Brazil	0.2828	0.0660	30.47
Cukurova Elektrik	Turkey	0.3453	0.0701	25.46
Banco Itau (Pfd)	Brazil	0.2121	0.0412	24.09
Companhia Cervejaria Brahma	Brazil	0.2719	0.0519	23.59
Ege Biracilik	Turkey	2.7301	0.4901	21.88
United Microelectronics	Taiwan	4.4894	0.7758	20.89
Goodyear Tyres	Turkey	0.3935	0.0655	19.95

Source: Baring Securities

■ Turkey

Turkey's stock exchange is to extend its settlement period, and increase trading hours in a move to attract foreign investors, who already account for about 40 per cent of turnover, writes John Murray Brown in Istanbul.

The new chairman of the Istanbul stock exchange, Mr Tuncay Artun, is due to announce the changes today. Until now all trades have had to be settled by the end of the next business day, or T+1.

The reforms envisage a T+2 settlement period.

On trading hours, in addition to a two-hour morning session, there will now be two more hours in the afternoon.

The exchange's concern has been that an extended settlement system would encourage short trading.

However, brokers say that the change should diminish the number of failed sales, which result because, on foreign buy orders, the funding requirement, they explain, is often not known until after the market closes.

■ Buenos Aires

The Buenos Aires stock exchange has modified its weighted MerVal index. Three new issues have been added while four issues have been dropped.

Energy stocks remain the biggest sector in the MerVal, which now comprises 22 stocks in all, representing approximately 25.9 per cent of the weighting.

Two of the three companies added to the MerVal are Buenos Aires-based thermal power utilities, Central Costanera and Central Puerto. The third newcomer is Citicorp Equity Investments, which has stakes in telecommunications, natural gas, oil, and timber products concerns.

The four stocks left out of the MerVal are the petrochemicals group, Indupa, the cement maker, Corcemar, and Banco del Sud, as well as Nabisco's local food company, Terrabusi.

News round-up

■ IFC Factbook

The International Finance Corporation (IFC) has released the *1994 Emerging Stock Markets Factbook**, which provides detailed information of 50 stock markets in developing countries.

This year's factbook presents for the first time IFC's investable indices (on stocks available to foreign investors), broken down by industry.

It also includes an introductory section with detailed information on how emerging markets are defined, economic and stock market characteristics, and expanded analyses of the IFC indices as well as individual markets.

IFC is a World Bank subsidiary, and the leading multilateral source of equity and loan financing for private sector projects in developing countries.

**Available for $75 from: International Finance Corporation, Emerging Markets Data Base, Room I-3-175, 1850 I Street, NW, Washington, DC 20433. Tel (202) 473-9550; Fax (202) 676-9299.*

■ Israel

Israel's prime minister, Mr Yitzhak Rabin, was worried this week after Tel Aviv's Mishtanim, blue chip index hit a low of 148.01 on Monday.

He said he was "worried because I'm convinced that the economic situation is far better than it is given expression in the stock exchange".

Investors responded and the Mishtanim made a three-day recovery to close the week 10.6 per cent off its lows at 163.83 – still, unfortunately, 36.6 per cent off its high of 258.44 for the year.

● Emerging markets coverage appears daily on the World Stock Markets page

Baring Securities emerging markets indices

Index	8/7/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (288)	156.05	+6.07	+4.05	-3.66	-2.29	-12.36	-7.34
Latin America							
Argentina (20)	103.29	+4.44	+4.49	-11.98	-10.44	-12.09	-10.48
Brazil (22)	171.80	+26.21	+18.00	+11.47	+7.15	+32.15	+23.02
Chile (12)	180.90	+1.35	+0.75	-11.95	-6.20	+33.36	+22.61
Mexico (26)	134.43	+3.08	+2.34	-9.99	-6.92	-26.83	-16.64
Peru (16)	662.74	-18.56	-2.72	-94.95	-12.53	+86.65	+15.04
Latin America (96)	145.42	+9.12	+6.69	-5.29	-3.51	-3.82	-2.56
Europe							
Greece (13)	83.05	+1.65	+2.03	+3.91	+4.93	-0.04	-0.05
Portugal (16)	106.55	+4.13	+4.40	-1.60	-1.48	-5.58	-4.98
Turkey (20)	79.42	+6.00	+8.17	+13.96	+21.32	-82.29	-50.89
Europe (49)	92.67	+3.63	+4.07	+3.47	+3.89	-19.57	-17.43
Asia							
Indonesia (22)	139.87	-3.34	-2.33	-9.35	-6.26	-31.17	-18.22
Korea (23)	128.98	+1.05	+0.82	+1.84	+1.45	+19.28	+17.57
Malaysia (23)	206.71	-2.44	-1.17	+1.46	+0.71	-46.33	-18.31
Pakistan (10)	111.94	-1.06	-0.94	+6.32	+5.99	+0.25	+0.22
Philippines (11)	249.87	-11.47	-4.39	-39.01	-13.50	-72.60	-22.51
Thailand (24)	218.80	+4.28	+2.00	-10.88	-4.74	-44.95	-17.06
Taiwan (30)	156.15	+8.01	+5.41	+5.24	+3.47	+2.44	+1.59
Asia (143)	193.97	+0.84	+0.43	-2.72	-1.38	-27.45	-12.40

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Gawith

Dollar's fate linked to G7 statement

If the general axiom that markets only respond to unexpected events holds true, foreign exchange traders will have a quiet morning today, reading a widely predicted G7 statement, devoid of any programme of dollar support.

A stream of statements from senior G7 figures last week successfully doused expectations of anything more than the familiar blandishments against currency volatility emerging from the summit. Most analysts believe the market will respond by selling the dollar, though G7 leaders have probably been successful in ensuring that its decline is gradual, rather than precipitous.

But this is not a unanimous view. SBC, for example, in its latest currency weekly, argues that the dollar may be the beneficiary of a short-term, G7 inspired bounce. Although standing by its long term bear view on the currency, SBC said a "G7 deal on FX should not be dismissed".

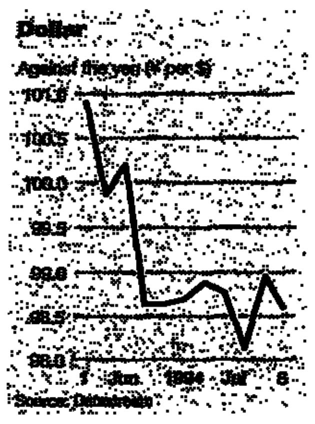
Of similar mind is UBS which argues that "the currency market's willingness to sell the dollar is unlikely to go uncorrected. We expect the central banks to undertake concerted and sustained intervention to prevent dollar weakness causing further volatility on bond and equity markets."

After last week's crowded agenda of policy meetings, market attention will this week revert to statistical releases. PPI, CPI and Retail sales figures will be released, and these should give the Fed a better picture of the US economy. Given the strong non-farm payroll figures released last Friday, some analysts are now arguing that the likelihood is of a 50 basis point rise in the federal funds rate, rather than 25 basis points.

The key data release will probably be the retail sales figure on Thursday, which will shed light on the state of demand in the economy.

Some analysts expect the Fed to move as early as this week. Others believe it will wait until its next meeting on August 16. Whether higher rates will help the dollar is a moot point. Four rate increases this year have done little for its fortunes, nor falling rates in Germany, but when rates in the two countries cross, probably towards the end of the third quarter, this may herald a turn in sentiment.

Market attention will also focus on the currencies which have borne the brunt of dollar weakness (or D-Mark strength) such as sterling, the Italian lira, Belgian franc and Swedish krona. Mr Silvio Berlusconi, Italian prime minister, has promised this week to announce details of a budget deficit reduction package.



FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 8, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4009.20	2603.38	1653.89	2641.11
Albania	(Lek)	154.20	100.13	63.6112	101.581
Algeria	(Dinar)	58.7729	38.1642	24.2452	38.7173
Andorra	(Fr Fr)	8.3258	5.4063	3.4345	5.4847
	(Sp Peseta)	200.555	130.231	82.7337	132.118
Angola	(New Kwanza)	146577.5	95180.2	60466.8	96559.6
Antigua	(E Carr $)	4.1634	2.7035	1.7175	2.7426
Argentina	(Peso)	1.5364	0.9976	0.6338	1.0121
Aruba	(Florin)	2.7602	1.7923	1.1386	1.8183
Australia	(Aus $)	2.1070	1.3681	0.8691	1.388
Austria	(Schilling)	17.0573	11.0761	7.0365	11.2366
Azores	(Port Escudo)	249.749	162.175	103.026	164.525
Bahamas	(Bahama $)	1.5400	1	0.6352	1.0144
Bahrain	(Dinar)	0.5807	0.377	0.2395	0.3825
Balearic Is	(Sp Peseta)	200.555	130.231	82.7337	132.118
Bangladesh	(Taka)	60.8261	39.4967	25.093	40.0712
Barbados	(Barb $)	3.1014	2.0138	1.2794	2.043
Belgium	(Belg Fr)	50.1100	32.5389	20.6715	33.0105
Belize	(B $)	3.0840	2.0025	1.2722	2.0316
Benin	(CFA Fr)	832.580	540.636	343.459	548.472
Bermuda	(Bermudian $)	1.5400	1	0.6352	1.0144
Bhutan	(Ngultrum)	48.3083	31.369	19.9283	31.8236
Bolivia	(Boliviano)	7.1608	4.6498	2.954	4.7172
Botswana	(Pula)	4.2601	2.7662	1.7573	2.8063
Brazil	(Real)	1.4160	0.9194	0.5841	0.9328
Brunei	(Brunei $)	2.3415	1.5204	0.9659	1.5424
Bulgaria	(Lev)	83.05	53.9285	34.2601	54.7101
Burkino Faso	(CFA Fr)	832.580	540.636	343.459	548.472
Burma	(Kyat)	9.0400	5.8701	3.7292	5.9552
Burundi	(Burundi Fr)	386.15	250.747	159.296	254.381
Cambodia	(Riel)	5397.00	3504.55	2226.39	3555.34
Cameroon	(CFA Fr)	832.580	540.636	343.459	548.472
Canada	(Canadian $)	2.1409	1.3901	0.8831	1.4103
Canary Is	(Sp Peseta)	200.555	130.231	82.7337	132.118
Cp. Verde	(CV Escudo)	130.17	84.5259	53.6982	85.7509
Cayman Is	(CI $)	1.2844	0.821	0.5215	0.8329
Cent.Afr. Rep	(CFA Fr)	832.580	540.636	343.459	548.472
Chad	(CFA Fr)	832.580	540.636	343.459	548.472
Chile	(Chilean Peso)	649.936	422.096	268.114	428.153
China	(Yuan)	13.3166	8.6471	5.4934	8.7724
Colombia	(Col Peso)	1266.61	822.474	522.507	834.384
CIS §	(Rouble)	1.0186o	0.6614	0.4201	0.671
		3083.09m	2006.5	1275.97	2037.61
Comoros	(CFA Fr)	832.580	540.636	343.459	548.472
Congo (Brazz)	(CFA Fr)	832.580	540.636	343.459	548.472
Costa Rica	(Colon)	241.03	156.513	99.4307	158.781
Côte d'Ivoire	(CFA Fr)	832.580	540.636	343.459	548.472
Croatia	(Kuna)	9.0039	5.8466	3.7143	5.9314
Cuba	(Cuban Peso)	1.1679	0.7583	0.4817	0.7693
Cyprus	(Cyprus £)	0.7420	0.4818	0.306	0.4888
Czech Rep.	(Koruna)	43.4710	28.2279	17.9328	28.637
Denmark	(Danish Krone)	9.5332	6.1903	3.9326	6.2801
Djibouti Rep	(Djib Fr)	274.05	177.955	113.052	180.534
Dominica	(E Carib $)	4.1634	2.7035	1.7175	2.7426
Dominican Rep	(D Peso)	20.1385	13.0769	8.3076	13.2664
Ecuador	(Sucre)	3174.98o	2061.66	1309.75	2091.55
		3388.11a	2187.06	1388.43	2218.75
Egypt	(Egyptian £)	5.2323	3.3975	2.1584	3.4468
El Salvador	(Colon)	13.4925	8.7613	5.5659	8.8883
Equat'l Guinea	(CFA Fr)	832.580	540.636	343.459	548.472
Estonia	(Kroon)	19.3736	12.5802	7.992	12.7625
Ethiopia	(Ethiopian Birr)	8.4656	5.4971	3.4922	5.5768
Falkland Is	(Falk £)	1.00	0.6493	0.4125	0.6587
Faroe Is	(Danish Kroner)	9.5332	6.1903	3.9326	6.2801
Fiji Is	(Fiji $)	2.2427	1.4562	0.9251	1.4774
Finland	(Markka)	8.0175	5.2061	3.3074	5.2816
France	(Fr)	8.3258	5.4063	3.4345	5.4847
Fr. Cty/Africa	(CFA Fr)	832.580	540.636	343.459	548.472
Fr. Guiana	(Local Fr)	8.3258	5.4063	3.4345	5.4847
Fr. Pacific Is	(CFP Fr)	151.45	98.3441	62.4767	99.7694
Gabon	(CFA Fr)	832.580	540.636	343.459	548.472

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.9574	9.7125	6.1702	9.8533
Germany	(D-Mark)	2.4241	1.574	1	1.5968
Ghana	(Cedi)	1447.94	940.221	597.31	953.847
Gibraltar	(Gib £)	1.00	0.6493	0.4125	0.6587
Greece	(Drachma)	366.200	237.792	151.066	241.238
Greenland	(Danish Krone)	9.5332	6.1903	3.9326	6.2801
Grenada	(E Carr $)	4.1634	2.7035	1.7175	2.7426
Guadaloupe	(Local Fr)	8.3258	5.4063	3.4345	5.4847
Guam	(US $)	1.5400	1	0.6352	1.0144
Guatemala	(Quetzal)	8.8173	5.7255	3.6373	5.8084
Guinea	(Fr)	1506.06	977.961	621.288	992.134
Guinea-Bissau	(Peso)	19073.0	12385.1	7868.07	12564.6
Guyana	(Guyanese $)	209.712	136.177	86.5112	138.15
Haiti	(Goude)	18.5040	12.0155	7.6333	12.1897
Honduras	(Lempira)	13.2304	8.5911	5.4578	8.7156
Hong Kong	(HK $)	11.9009	7.7278	4.9094	7.8398
Hungary	(Forint)	156.444	101.587	64.5366	103.059
Iceland	(Icelandic Krona)	106.12	68.909	43.777	69.9077
India	(Indian Rupee)	48.3083	31.369	19.9283	31.8236
Indonesia	(Rupiah)	3341.31	2169.68	1378.37	2201.13
Iran	(Rial)	2700.00	1753.25	1113.82	1778.66
Iraq	(Iraqi Dinar)	0.4794	0.3112	0.1977	0.3158
Irish Rep	(Punt)	1.0118	0.657	0.4173	0.6665
Israel	(Shekel)	4.6431	3.015	1.9153	3.0586
Italy	(Lira)	2408.94	1562.95	992.921	1585.6
Jamaica	(Jamaican $)	50.8860	33.0428	20.9917	33.5217
Japan	(Yen)	151.801	98.572	62.6215	100.001
Jordan	(Jordanian Dinar)	1.0626	0.69	0.4383	0.7
Kenya	(Kenya Shilling)	86.35	56.0714	35.6214	56.884
Kiribati	(Australian $)	2.1070	1.3681	0.8691	1.388
Korea North	(Won)	3.3153	2.1527	1.3676	2.1839
Korea South	(Won)	1239.89	805.123	511.486	816.792
Kuwait	(Kuwaiti Dinar)	0.4556	0.2958	0.1879	0.3001
Laos	(New Kip)	1110.24	720.935	458.001	731.383
Latvia	(Lats)	0.8489	0.5512	0.3501	0.5592
Lebanon	(Lebanese £)	2585.58	1678.95	1066.61	1703.28
Lesotho	(Maluti)	5.6666	3.6796	2.3376	3.7329
Liberia	(Liberian $)	1.5400	1	0.6352	1.0144
Libya	(Libyan Dinar)	0.4740	0.3077	0.1955	0.3122
Liechtenstein	(Swiss Fr)	2.0426	1.3264	0.8427	1.3457
Lithuania	(Litas)	6.1680	4.0051	2.5444	4.0632
Luxembourg	(Lux Fr)	50.1100	32.5389	20.6715	33.0105
Macao	(Pataca)	12.3115	7.9944	5.0787	8.1109
Madagascar	(MG Fr)	4186.55	2718.54	1727.05	2757.94
Madeira	(Port Escudo)	249.749	162.175	103.026	164.525
Malawi	(Kwacha)	11.3385	7.3626	4.6774	7.4693
Malaysia	(Ringgit)	3.9866	2.5866	1.6466	2.6342
Maldive Is	(Rufiya)	17.5694	11.4048	7.2453	11.57
Mali Rep	(CFA Fr)	832.580	540.636	343.459	548.472
Malta	(Maltese Lira)	0.5720	0.3714	0.2359	0.3766
Martinique	(Local Fr)	8.3258	5.4063	3.4345	5.4847
Mauritania	(Ouguiya)	190.514	123.71	78.5916	125.508
Mauritius	(Maur Rupee)	26.8509	17.4355	11.0766	17.6882
Mexico	(Mexican Peso)	5.2329	3.3979	2.1586	3.4472
Miquelon	(Local Fr)	8.3258	5.4063	3.4345	5.4847
Monaco	(French Fr)	8.3258	5.4063	3.4345	5.4847
Mongolia	(Tugrik)	616.80	400.519	254.445	406.324
Montserrat	(E Carr $)	4.1634	2.7035	1.7175	2.7426
Morocco	(Dirham)	13.7978	8.9596	5.6919	9.0894
Mozambique	(Metical)	9083.20	5895.19	3738.79	5970.48
Namibia	(S A Rand)	5.6666	3.6796	2.3376	3.7329
Nauru Is	(Australian $)	2.1070	1.3681	0.8691	1.388
Nepal	(Nepalese Rupee)	75.9589	49.3239	31.3346	50.0388
Netherlands	(Guilder)	2.7167	1.7663	1.1215	1.7908
N'nd Antilles	(A/Guilder)	2.7185	1.7652	1.1214	1.7908
New Zealand	(NZ $)	2.5559	1.6616	1.0556	1.6857
Nicaragua	(Gold Cordoba)	10.3796	6.7401	4.2819	6.8378
Niger Rep	(CFA Fr)	832.580	540.636	343.459	548.472
Nigeria	(Naira)	33.6789	21.8692	13.8758	22.3181
Norway	(Nor. Krone)	10.6404	6.9093	4.3894	7.0094
Oman	(Rial Omani)	0.5929	0.385	0.2445	0.3905

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	47.0600	30.5584	19.4133	31.0013
Panama	(Balboa)	1.5400	1	0.6352	1.0144
Papua New Guinea	(Kina)	1.4553	0.945	0.6003	0.9586
Paraguay	(Guarani)	2772.50	1800.32	1143.72	1826.42
Peru	(New Sol)	3.3848	2.1979	1.3963	2.2297
Philippines	(Peso)	41.5018	26.9492	17.1204	27.3397
Pitcairn Is	(£ Sterling)	1.00	0.6493	0.4125	0.6587
	(NZ $)	2.5559	1.6616	1.0556	1.6857
Poland	(Zloty)	34487.2	22394.3	14226.6	22718.8
Portugal	(Escudo)	249.749	162.175	103.026	164.525
Puerto Rico	(US $)	1.5400	1	0.6352	1.0144
Qatar	(Riyal)	5.6129	3.6447	2.3154	3.6975
Reunion Is. de la	(F Fr)	8.3258	5.4063	3.4345	5.4847
Romania	(Leu)	2599.31	1687.86	1072.28	1712.33
Rwanda	(Fr)	216.20(2)	140.39	89.1877	142.424
St Christopher	(E Carr $)	4.1634	2.7035	1.7175	2.7426
St Helena	(£)	1.00	0.6493	0.4125	0.6587
St Lucia	(E Carr $)	4.1634	2.7035	1.7175	2.7426
St Pierre	(French Fr)	8.3258	5.4063	3.4345	5.4847
St Vincent	(E Carr $)	4.1634	2.7035	1.7175	2.7426
San Marino	(Italian Lira)	2408.94	1562.95	992.921	1585.6
Sao Tome	(Dobra)	1057.10	686.429	436.078	696.377
Saudi Arabia	(Riyal)	5.7754	3.7502	2.3824	3.8046
Senegal	(CFA Fr)	832.580	540.636	343.459	548.472
Seychelles	(Rupee)	7.6607	4.9744	3.1602	5.0465
Sierra Leone	(Leone)	886.65	575.747	365.765	584.091
Singapore	($)	2.3415	1.5204	0.9659	1.5424
Slovakia	(Koruna)	48.7620	31.6636	20.1155	32.1225
Slovenia	(Tolar)	189.70	123.182	78.2558	124.967
Solomon Is	($)	5.0326	3.2679	2.076	3.3152
Somali Rep	(Shilling)	4040.05	2623.41	1666.62	2661.45
South Africa	(Rand)	5.6666c	3.6796	2.3376	3.7329
		7.2994g	4.7398	3.0111	4.8085
Spain	(Peseta)	200.555	130.231	82.7337	132.118
Spanish Ports in N Africa	(Sp Peseta)	200.555	130.231	82.7337	132.118
Sri Lanka	(Rupee)	75.4346	48.9834	31.1185	49.6933
Sudan Rep	(Dinar)	47.9562(5)	31.1403	19.783	31.5916
Surinam	(Guilder)	2.7525	1.7873	1.1354	1.8132
Swaziland	(Lilangeni)	5.6666	3.6796	2.3376	3.7329
Sweden	(Krona)	11.9972	7.7903	4.9491	7.9032
Switzerland	(Fr)	2.0426	1.3264	0.8427	1.3457
Syria	(£)	31.6110	20.5266	13.0403	20.8241
Taiwan	($)	41.1621	26.7286	16.9803	27.116
Tanzania	(Shilling)	792.59	514.669	326.963	522.128
Thailand	(Baht)	38.4634	24.9762	15.8753	25.3513
Togo Rep	(CFA Fr)	832.580	540.636	343.459	548.472
Tonga Is	(Pa Anga)	2.1070	1.3681	0.8691	1.388
Trinidad/Tobago	($)	8.5967	5.5822	3.5463	5.6631
Tunisia	(Dinar)	1.5258	0.9907	0.6294	1.0051
Turkey	(Lira)	47945.4	31134	19779.1	31585.2
Turks & Caicos	(US $)	1.5400	1	0.6352	1.0144
Tuvalu	(Australian $)	2.1070	1.3681	0.8691	1.388
Uganda	(New Shilling)	1476.47	958.747	609.08	972.642
Ukraine	(Karbovanets)	30069.0	19525.3	12404.2	19808.3
U A E	(Dirham)	5.6914	3.6962	2.3437	3.7426
United Kingdom	(£)	1.00	0.6493	0.4125	0.6587
United States	(US $)	1.5400	1	0.6352	1.0144
Uruguay	(Peso Uruguayo)	7.6629	4.9664	3.1487	5.0282
Vanuatu	(Vatu)	174.938	113.596	72.1661	115.242
Vatican	(Lira)	2406.94	1562.95	992.921	1585.6
Venezuela	(Bolivar)	261.792	169.995	107.996	172.456
Vietnam	(Dong)	16932.7	10995.3	6985.15	11154.6
Virgin Is-British	(US $)	1.5400	1	0.6352	1.0144
Virgin Is-US	(US $)	1.5400	1	0.6352	1.0144
Western Samoa	(Tala)	3.9997	2.5582	1.6262	2.5953
Yemen (Rep of)	(Rial)	88.30a(3)	57.3376	36.4258	58.1669
Yemen (Rep of)	(Dinar)	0.6864(3)	0.447	0.2839	0.4534
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	747.00	485.065	308.158	492.095
Zambia	(Kwacha)	1051.0	682.468	433.563	692.355
Zimbabwe	($)	12.4763	8.1014	5.1467	8.2189

Special Drawing Rights July 7, 1994 United Kingdom £0.942517 United States $1.45289 Germany DM2.29310 Japan Y143.836 European Currency Unit Rates July 8, 1994 United Kingdom £0.789435 United States $1.21770 Germany DM1.91687 Japan Y120.187

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (l) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for March 31st. (3) Yemeni rates for April 29th. (4) Cruzeiro Real convertible at 2750 to 1 Real. (5) Sudan revalued by approx. 8%. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Friday, July 8, 1994

WORLD BOND MARKETS: This Week

NEW YORK

Martin Dickson

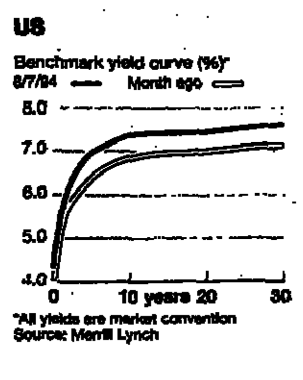
A stronger than expected US employment report on Friday means that the main question facing the US bond market this week is when, and by how much, the Federal Reserve will next tighten monetary policy.

The June employment report, showing an economy still growing at a brisk clip, reinforced the market's fears of inflation and meant the yield on the 30-year benchmark Treasury issue broke up out of the trading range of the past three months to close on Friday at 7.69 per cent, its highest since 1992.

Even before the job figures, many analysts were forecasting the Fed would tighten at the next meeting of its policy-making Open Market Committee, on August 16. But some now think interest rates could rise much sooner, possibly in the aftermath of this weekend's G7 meeting.

Statistical hurdles this week include June's producer and consumer price indices, due on Tuesday and Wednesday respectively. The consensus forecast is for a 0.2 per cent rise in the PPI, excluding the volatile food and energy components, and 0.3 per cent for the CPI, on the same basis.

June retail sales, due out on Thursday, are expected to show a 1 per cent rise on May, while Friday's industrial production figures could show capacity utilisation rising to around 84 per cent, its highest reading in five years.



LONDON

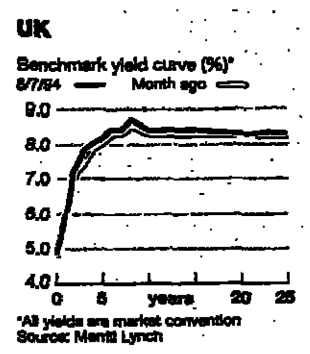
Philip Coggan

Gilt markets will have the regular mid-month menu of UK economic data to feast on this week, with figures for retail and producer prices and unemployment all due.

However, most attention will probably be focused on Wednesday's average earnings data. April saw an unexpected fall in average earnings growth to 3¾ per cent, from 4 per cent in March. Expectations are for the annual rate to be unchanged in May but any acceleration would re-awaken inflationary fears, as would any further signs of a knock-on effect of higher commodity prices on the producer prices or retail prices data.

One eye will have to be kept on the international situation, in case dollar weakness prompts either concerted G7 action, or unilateral US Fed action, on interest rates. Also keenly watched will be the announcement of the next gilt auction on Friday: Will the Bank return to a conventional funding programme, or does it still believe medium to long-term gilt yields are too high?

Gilts were one of the best performing world bond markets in June, giving some relief to those who despaired of an end to this year's downturn. Ms Katy Peters of Daiwa Europe says the short end of the market is still wrongly priced, since it has discounted an early increase in base rates which she thinks will not occur.



FRANKFURT

David Waller

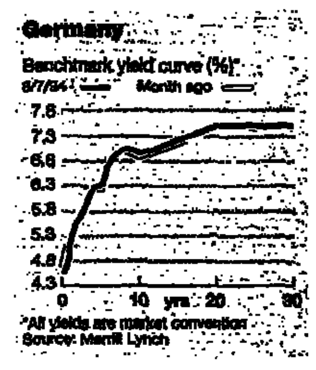
Central banks in Germany and the US met last week and did nothing to change interest rates; finance ministers of the G7 countries met in Naples and decided not to launch co-ordinated action to support the US dollar.

According to Mr Adolf Rosenstock at the Industrial Bank of Japan in Frankfurt, this creates "the imminent risk of a massive shake-out in the foreign exchange market".

However, with bund prices displaying "remarkable resilience" in the face of dollar weakness, Mr Rosenstock believes German government securities are in a good position to weather any storm that breaks early this week.

Support from fundamentals will come from two sets of data due in the next few days – retail sales for May and wholesale prices for June. Both figures are likely to add to the picture suggested by recent industrial output and manufacturing order data: that the German recovery from recession is less pronounced than seemed the case earlier in the year, and the risk of a corresponding upsurge in inflation that much less.

Towards the end of the week, traders may start looking ahead to June money supply data, likely to be released next Thursday when the Bundesbank policy-making council meets to review the development of M3 in the year to date.



TOKYO

Emiko Terazono

Fears of over-supply – the new Murayama administration plans to cover income tax cuts with bond issues – are sapping investor confidence and outweighing the impact of the strong yen.

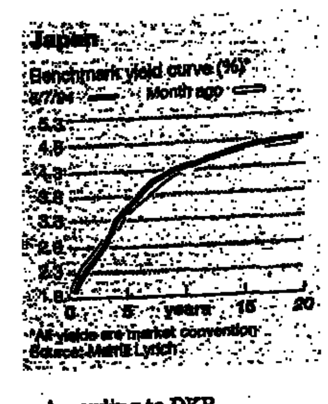
Comments last week by Mr Masayoshi Takemura, the finance minister, that the government will postpone raising the consumption tax to cover the decrease in state revenues following from income tax cuts, hit bond prices.

Press reports of an additional fiscal spending package of around Y6,000bn to help the economy, to be covered by deficit covering bonds, have also depressed sentiment.

However, the outlook for the economy remains weak, and although many market participants this week will be focusing on the aftermath of the Group of Seven meeting, the yen's strength and economic indicators are expected to point to low inflation and weak demand.

According to DKB International, an average dollar/yen exchange rate of Y100 this business year would mean growth would remain at around 1 per cent, domestic wholesale prices would fall by 1 per cent and consumer prices by 0.6 per cent.

Private machinery orders for May are expected to fall, indicating a poor outlook for investment, and bank lending for the year to June is also forecast to show a decline.



Capital & Credit / **Conner Middelmann**

Spotlight falls on high-deficit countries

The bear market in bonds took a turn for the worse last week as participants took a closer look at the massive debt burdens and funding pressures weighing on some European governments.

This new interest in countries' indebtedness was triggered on July 1 when Skandia, the large Swedish insurance group and a big buyer of government debt, said it was boycotting the Swedish bond market until the politicians found a credible solution to the country's debt problem.

This not only sent Sweden's government bonds and currency to new lows for the year, but drew investors' attention to other high-deficit nations – including Belgium, which is nursing the highest debt-to-GDP ratio in Europe.

During last year's bond bonanza, worries over stubborn, structural deficits were conveniently masked by heavy buying from foreign – predominantly US – investors, who piled into European bonds on hopes of further falls in interest rates. The high-yielding markets, whose yields were expected to continue converging towards German levels, benefited from these flows.

But since early 1994, "the withdrawal of liquidity has highlighted many of the debt problems that were concealed by last year's heavy liquidity inflows," says Mr Malcolm Roberts, head of global bond research at UBS. As a result, yield convergence has been reversed in recent months.

According to OECD estimates, the Belgian debt-to-GDP ratio this year is likely to be a whopping 146.3 per cent. And while the country is running a primary budget surplus, the cost of servicing its debt is keeping its overall budget deficit at around 5.8 per cent of GDP.

While not quite in the Belgian league, Sweden's debt situation is also deteriorating rapidly. The country's gross public debt is set to reach 92.9 per cent of GDP this year, rising to 100.8 per cent next year, the OECD forecasts. Its budget deficit is expected to hit 10.7 per cent of GDP this year, down from last year's 12.9 per cent but still above initial forecasts, as rising interest rates have boosted debt servicing costs.

Political uncertainty ahead of Sweden's general election in September and referendum on European Union membership in November is further undermining confidence in its financial markets. In the run-up to the elections, the government is unlikely to take the radical fiscal measures needed to restore confidence. And if the opposition Social Democrats come to power, reliance on one-off income sources, tax increases and attempts to preserve the welfare state would probably heighten market fears, warns Mr Jouni Kokko, international economist at S.G. Warburg Securities.

Reliance on foreign capital has made some markets particularly vulnerable to bear market conditions. Some 48 per cent of Sweden's 1993 net borrowing was financed by overseas buying of government bonds or foreign currency borrowing, and heavy foreign sales this year have taken their toll on the bond and currency markets.

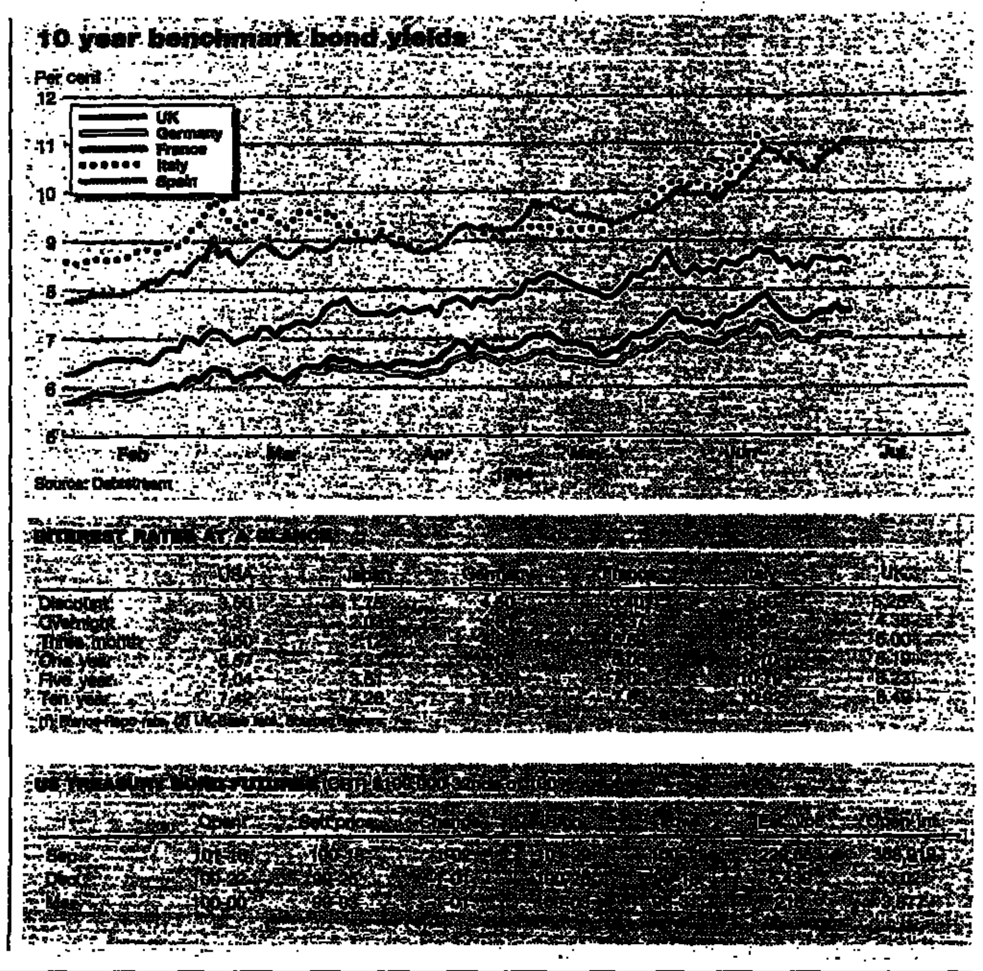
"The rating agencies are likely to become a lot more wary of debt junkies in the present situation, which [in Sweden's case] should limit the ability to finance outside the Swedish krona," warns Mr Mike Gallagher, director of economic research at market analysts IDEA. "In turn, this increases the reliance on overseas purchases of Swedish krona denominated debt."

While most European currencies have been weakening against the D-Mark, those of high-deficit countries have come under particular pressure. The Swedish krona fell to a new low of SKr5 per D-Mark last week; the Italian lira approached the key L1,000 per D-Mark level as the Berlusconi government continued to delay the publication of its budget plans; and the Belgian franc – usually as solid as the Rock of Gibraltar – fell to around BF20.70 to the D-Mark, from BF20.59 only two weeks earlier.

As a result of currency weakness, short-term money market rates in countries with perceived debt or political problems have risen sharply: Swedish three-month money traded at 7.28 per cent on Friday, up from 6.75 per cent two weeks before; Belgian three-month rates rose to 6.88 from 5.5 per cent; and Italian three-month money climbed to 8.81 from 7.25 per cent.

However, raising rates to protect the currency is no solution – if anything, it compounds the problem by increasing the debt servicing cost. "The only way out of the vicious circle is to undertake drastic fiscal tightening," says Mr Kokko. "Many governments still don't understand how serious the situation is, and now the markets are trying to force a solution."

While Warburg's analysts expect steady increases in long-term yields to continue, they say this constitutes an important part of the disinflationary process. As such, "real and nominal yields are rising to the point where they may (1) cause a financial accident; (2) cramp economic recovery; (3) force governments into more disciplined fiscal policy; or (4) bring about some combination of all three".



International / **Graham Bowley**

Buyers still shy of South Africa

South Africa's new government has worked hard to reassure international investors of its intention to keep its budget deficit firmly under control, and to a large extent it has been successful. But bond investors will require further reassurance if they are to keep faith with the new South Africa.

The government's first budget on June 22 went a long way towards doing this. It was tough on public spending, with the budget deficit forecast to be 6.6 per cent of gross domestic product for the current financial year, down from 9 per cent two years ago.

However, the sharp rise in bond yields on Tuesday following the resignation of Mr Derek Keys, the widely respected finance minister and the man largely responsible for proving South Africa's fiscal credentials, is a measure of how nervous the financial markets remain.

Investors fear the government, faced with so many demands on its resources as it embarks on its ambitious plan of reconstruction and development, will overshoot spending targets. To fund the growing budget deficit it might then be tempted to print money, so fuelling inflation, or issue more bonds in world markets, so driving up yields.

However, South African government bond yields have risen almost 3 percentage points to almost 15 per cent since the start of the year and only part of this increase can be explained by these fears.

The rise in yields is due mainly to the fall in world bond markets; South Africa, like most of the world, has been buffeted by worries about strengthening global economic recovery and rising world inflation.

This is understandable, since in South Africa it is international investors who on the margin are the main influence on bond yields, and increasingly so as more foreign investors are tempted into the newly open economy.

At the end of 1992, the South African public sector bond market was roughly the equivalent of $59.4bn in size, about the same as Australia's. Although most of the country's government bonds are owned by domestic investors, they are constrained by foreign exchange controls and tend to hold on to bonds to maturity rather than trade them.

It is therefore unlikely that South African bond yields will fall back until international sentiment improves and bond yields, especially in the US, decline.

The economy came out of a three-year recession last year and is expected to grow by more than 3 per cent this year, boosted in part by overseas investment and by export growth after years of an international boycott.

Inflation has fallen significantly from the double digit rates of the 1980s, to 7.3 per cent in May, and although with renewed economic growth it may not have further to fall, it is still declining, which will have a beneficial impact on the bond market.

This relatively bright outlook for the South African bond market, however, has to be tempered with caution as the situation could turn sour.

The money supply is expanding rapidly – M0 grew by a preliminary 22.8 per cent in the year to March – an indication that inflation may be more of a problem in the future. That could mean a serious test of the Reserve Bank's, and governor Chris Stals', autonomy at a time when the new government will not be keen to see a rise in interest rates.

A further risk is political. So far, the new government of national unity has worked well. But the pressure on the administration is tremendous and the expectations of the formerly disenfranchised population are great; conflicts between the finance ministry and other government departments on spending levels may be unavoidable.

The role of Mr Christo Liebenberg, who will succeed Mr Keys as finance minister later this year, will be of primary importance. An experienced banker, with no formal political affiliations, his appointment shows the government intends to keep a firm hold on public spending.

However, he lacks Mr Keys' powerful personality, and without Mr Keys' carefully nurtured relationship with top figures in the African National Congress, he may not command the same respect in the new government.

"There may be a change of face, there may be a change of style, but there won't be a change of direction," Mr F.W. de Klerk, deputy president, said last week.

With such unlikely bedfellows in the new government, the financial markets will take some convincing. There is no doubt that international investors will be watching developments closely, even more so after being unnerved by Mr Keys' departure.

As it steps up its efforts to acquire an international credit rating in an attempt to return to the international capital markets, the government may, therefore, be even stricter than it would have been with its public finances and implement the spending controls proposed in Mr Keys' last budget in full.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kingdom of Sweden	300	Aug.1998	6.25	99.675R	6.428	+15½ (6⅞%-98)	Nomura/ SBC
Rabobank Nederland	250	Aug.1997	6.50	99.563R	6.658	+8 (6½%-97)	Swiss Bank Corp.
BNL, Hong Kong Branch(e)‡	100	Jul.1999	(e1)	99.725R	-	-	Citibank International
Loarto Finance‡	100	Jul.1997	(f)	99.548	-	-	Nomura International
Essar Gujarat‡	200	Jul.1999	(g)	100.00R	-	-	Chase Investment Bank
SITICO(c)‡	130	Aug.2001	(h1)	100.00	-	-	IBJ Asia/ OCBC
Banpu Coal(m)§	60	Aug.2004	3.50	100.00	-	-	Jardine Fleming
Daiwa Overseas(p)‡	100	Jul.2004	(p1)	100.00R	-	-	Salomon Brothers Intl.
YEN							
New Sth.Wales Treas.Corp.	20bn	Jul.1997	3.20	100.0875	3.189	-	Merrill Lynch Intl.
CNCA(s)★	10bn	Nov.1999	4.00	100.25	-	-	Nomura International
Norddeutsche Landesbank	10bn	Jul.1997	3.20	100.2375	3.116	-	Nomura International
Province of British Colombia	15bn	Aug.1997	3.40	100.0875	3.369	-	Merrill Lynch Intl.
Province of British Colombia	10bn	Aug.1997	3.25	100.00	3.250	-	JP Morgan Securities
Province of British Colombia	10bn	Jul.1997	3.20	100.00	3.200	-	JP Morgan Securities
Treasury Corp. of Victoria(s)	5bn	Dec.1996	3.00	100.1875	-	-	Merrill Lynch Intl.
Province of British Colombia	50bn	Aug.1999	4.00	99.90R	4.022	+30(JGB 119)	Daiwa Europe
Kingdom of Sweden(s)	80bn	Jan.1997	3.10	100.00R	3.105	-	IBJ International
Deutsche Bk.Fin.Curacao(s)	50bn	Nov.1999	4.125	100.20R	4.085	+36(JGB 119)	Merrill Lynch Intl.
Mitsubishi Corp. Finance(s)	30bn	Nov.1997	3.50	100.30R	-	-	IBJ International
NTT Data Comms.Systems(s)	10bn	Nov.1999	4.10	100.25	-	-	IBJ International
Mitsubishi Petrochemical(s)	20bn	Oct.2001	4.95	100.15R	-	-	Nikko Europe
Rabobank Nederland(s)★	10bn	Nov.1999	4.00	100.408	-	-	Nomura International
Mitsubishi Petrochemical(s)	10bn	Oct.1998	4.00	101.425	-	-	Mitsubishi Finance Intl.
STERLING							
ANZ Banking Group(q)‡	200	Jul.1997	(q1)	99.93R	-	-	UBS
GESB(t)	104.555	Nov.2018	8.25(j)	99.725	-	+66 (8¾%-17)	NatWest Capl. Markets
CANADIAN DOLLARS							
DSL Finance	125	Aug.1998	9.125	99.761	9.199	+30 (i)	Paribas Capital Markets
D-MARKS							
Ville de Paris	130	Sep.1999	6.50	99.544R	6.610	+15 (6⅞%-99)	Bqe. Paribas(Deutsch.)
Credit Suisse Hldg.Finance(o)	150	Jul.1999	6.75	101.54	6.381	-	CSFB-Effectenbank
DSL Bank‡	200	Jul.1998	(n)	100.085	-	-	Trinkaus & Burkhardt
ITALIAN LIRE							
Commerzbank Finance	300bn	Aug.1999	10.50	99.525R	10.63	-	IMI Bank Luxembourg
Deutsche Bk.Fin.(Curacao)	200bn	Aug.1999	10.25	99.77R	10.31	-	Deutsche Bank London
OKB	200bn	Aug.1999	10.00	101.125	9.705	-	Swiss Bank Corp.
San Paolo, Torino(d)	100bn	Jun.2004	10.40	97.50	-	-	San Paolo, Torino
GUILDERS							
ABN Amro Lease Holding	100	Aug.1998	6.825	99.65R	6.728	+26 (6¼%-98)	ABN Amro Bank
AUSTRALIAN DOLLARS							
Prudential Funding Corp.(a)	75	Dec.1997	9.00	101.35	-	-	Hambros Bank
Bayerische Hypobank	75	Aug.1997	8.875	101.20	8.406	-	BZW
New Sth.Wales Treas.Corp.★	100	Jul.1997	4.50#	90.951	7.950	-	Nomura International
SWISS FRANCS							
Sogo Denki(a)★★§	70	Sep.1998	0.125	100.00	-	-	Coutts & Co.
Osaka Stadium Co.(b,b1)★φ	40	Jul.1998	0.50	100.00	-	-	Nomura Bank (Switz.)
Osaka Stadium Co.(b,c)★§	30	Sep.1998	0.125#	100.00	-	-	Nomura Bank (Switz.)
Crédit Local de France	150	Aug.2000	5.25	102.00	4.868	-	Credit Suisse
Rabobank Nederland	150	Aug.1999	5.25	102.125	4.762	-	Swiss Bank Corp.
Deutsche Finance Neths.★★	100	Jul.1999	5.50	102.50	4.926	-	Deutsche Bk.(Schweiz)
Südwestdeutsche LB(d)	150	Aug.1998	5.125	101.80	4.622	-	Credit Suisse
LB Schleswig-Holstein, Luxb★	75	Aug.1998	5.60	102.20	4.528	-	Merrill Lynch Cap.Mkts.

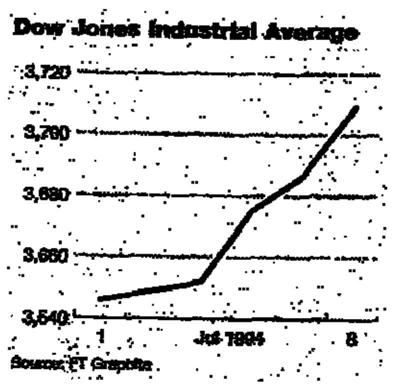
Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. #Floating rate note. φwith equity warrants. ★★Private placement. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: Y602. FX: 75.47Y/SFr. Callable on 30/9/96 at 102% falling ½%pa. Callable at 31/3/95, subject to 130% rule, at 101¾% falling ¼%pa. Downward revision clause: Jul.96. b) Exconv price: Y1743. FX: 75.47Y/SFr. Exconv price revision 23/8/96. b1) Denom.: Sfr50,000 +50wrts. c) Callable on 30/9/96 at 102% falling ½%pa. Callable, subject to 150% rule, on 31/3/95 at 101¾% falling ¼%pa. d) Long last coupon. e) Amortises in 5 equal instalments. Average life: 3 yrs. e1) 3-mth Libor +37½bp. f) 3-mth Libor +1¼%. g) Callable on coupon dates from Jul.96 at par. g1) 3-mth Libor +¼%. h) Exchange at Natw 8¾% 2018 debenture stock. i) Over interpolated yield. j) 6-mth Libor +285bp. k) Callable and puttable in Aug.98 at par. k1) 6-mth Libor +60bp. m) Conv price: baht42.88. FX: 25.001-Baht/$. Puttable on 25/8/99 at 126.488%. Callable after 3 yrs, subject to 140% hurdle, at accreted value. n) Amortises from 28/7/97; redemption amounts based on changes in 3-mth Libor. o) Issue launched 23/6/94 was increased to DM400m. p) 6-mth Libor flat. q) Fungible with L500bn. Plus 32 days accrued. Issuer may convert on 30/8/99 into FRN paying 6-mth Libor +½%. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

هكذا من الأهل

EQUITY MARKETS: This Week

NEW YORK
Patrick Harverson

Results could give share prices a boost



The second-quarter corporate results season opens in earnest this week and investors await news of company earnings with the usual mixture of hope and trepidation.

Judging by recent buying patterns, however, some investors believe good earnings are around the corner. If they are right, share prices will receive a much-needed boost at a time when the Federal Reserve could be poised to sanction another demand-sapping increase in interest rates.

The highest hopes for strong second-quarter earnings have focused on the big industrial companies whose profits are tied closely to the movements of the economic cycle. Because of recent evidence (including last week's June employment report) pointing to a more expansionary second-quarter economy than expected, investors have been buying up cyclical stocks in the past few days.

Motor vehicle manufacturers have been especially buoyant lately, cheered by forecasts from analysts of quarterly earnings that could be double those seen a year ago. Wall Street is bullish on the sector because it believes improved North American sales and a sustained focus on cost-cutting will have combined to produce significantly improved profits.

Two other sectors likely to have benefited from the strong pace of economic growth are long-distance telecommunications and rail transportation. Analysts predict that at the major phone companies, overall calling volumes will have grown about 9 per cent in the quarter.

The big railroad companies have also been reaping the benefits of a healthy economy, with rising freight-rail traffic boosting revenue growth.

The news is unlikely to be so positive in the financial sector, primarily because in an environment of rising interest rates, the earnings of banks and securities brokerages almost always suffer.

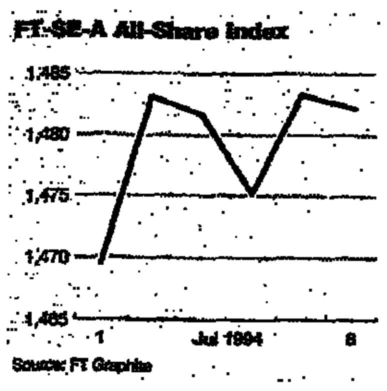
Securities firms, in particular, are likely to be reporting sharply lower second-quarter earnings than a year ago, when the lowest interest rates in 30 years were fuelling an unprecedented boom in Wall Street profits.

In the commercial banking industry, earnings growth, which has been on a steadily upward path for the past two years, is unlikely to show as sharp a retraction as in the securities industry. However, some sort of slowdown is expected, particularly at the big money-centre banks which are also active traders in the financial markets.

Overall, the outlook for corporate profits remains bright. The only question this week is whether investors will be able to focus on earnings with the threat of another interest rate increase hanging over their heads.

LONDON
Terry Byland

Strategists put new emphasis on growth



If only the US dollar can at least stay in line this week, the London market can rely on support from most of the leading market strategists, even if the buyers still appear somewhat less convinced.

The threat to global interest rates looks less menacing than a month ago, and dividend and earnings growth reinforce forecasts of a gain of around 11 per cent on the Footsie by the year-end.

Not that the danger of renewed upsets in the bond markets is entirely consigned to history. BZW uses bond market doubts as its reason for cutting its 1994 Footsie forecast to 3,400. Its previous year-end target of 3,600 was at the higher end of what may perhaps be called the serious market range. But BZW explains its move by saying it is "putting greater emphasis on the momentum from growth".

"Growth" has strengthened its role as the underlying theme of most strategists' views as the tensions surrounding global interest rates have appeared to lessen.

S.G. Warburg, sticking with its 1994 forecast of Footsie 3,500, believes that the response to last week's industrial output statistics indicates that the market is no longer afraid that economic growth merely threatens higher interest rates.

Dividend prospects are stressed by BZW, which estimates dividend growth of 10 per cent this year with the likelihood of similar improvement next year. This would put the stock market yield at 5 per cent which would widen the yield gap against bonds substantially, even without any retracement of the rise in gilt yields seen so far this year.

BZW also points out that this month traditionally gives the institutions their biggest injection of dividend income for the calendar year. With dividends already showing growth of around 6 per cent this year, suggestions of a liquidity squeeze on the institutions could prove a snare.

Strauss Turnbull, aiming for a Footsie of 3,200–3,400 this year, similarly holds to its view that strong economic growth, backed up by accelerating dividends and corporate earnings, will wipe away memories of the uninspiring equity market performance in the second quarter.

A heavyweight defence of the bull case is presented by Hoare Govett which, with a Footsie forecast of 3,500, is among the more aggressive market champions. Hoare rejects bond market worries: "Gilts ... more than discount the rise in inflation over the next two years," core inflation "only 3 per cent at the end of next year," and the fashion for index-linked gilt yields "too high".

This is all very encouraging. The question to be answered is whether it will stand up if the dollar gets into trouble again.

International offerings / **Emiko Terazono**

Amway sparks interest in global Japanese issues

Last month's global offering by Amway Japan, the Japanese arm of the US home care products group, attracted a wide range of international buyers. As the first international offering by a Japanese company for more than two years, the deal has sparked interest in global issues among other Japanese companies.

A well-known name, a stable profits record and extensive presentations to investors have been attributed as the ingredients for the deal's success. But securities houses point out there has recently been clear interest in Japanese issues among international investors in the UK, Europe and Hong Kong.

Many Japanese companies have now begun to look to overseas equity markets for funds. According to the ministry of finance, net purchases of Japanese stocks by overseas investors totalled a record $46.7bn during the year ended March, an eight-fold rise over the previous year.

"We know of several Japanese companies currently looking at global deals as a means of fundraising," said an official at Morgan Stanley Japan.

With domestic institutions increasingly restrained in their investment risks following sharp falls in unrealised investment profits, international investors are likely to be wooed all the harder by leading Japanese companies.

Earlier this month Nippon Telegraph and Telephone, the country's partially privatised telecommunications operator, announced it was applying to list on the London and New York stock exchanges to enhance its profile among the global financial community.

Although the listings themselves are not directly linked to a capital-raising programme, it has given the ministry of finance, which still owns two-thirds of NTT, the option to offer its holdings on the two markets.

Smaller Japanese companies are also trying to increase their appeal to international investors. Overseas investors bought a net $4.17bn in over-the-counter stocks last year, 3.6 times that of the previous year. Many investors have picked up Japanese OTC shares with strong growth potential as a part of their emerging market portfolios.

The increase in initial public offerings following the ministry of finance's lifting of restrictions earlier this year, has also helped boost investments in OTC companies.

Thomas Norton Associates, a US investment researching company specialising in Japanese OTC stocks, which is organising a seminar introducing the founders and presidents of Japanese over-the-counter companies to US fund managers, said interest from both companies and investors has been high.

At the same time, analysts point out that some of the Japanese OTC companies are looking to list on the US Nasdaq exchange to widen their capital-raising abilities.

But in Japan, the domestic public offerings market remains tightly regulated by the ministry of finance. The concept of pre-announcements or roadshows does not exist, and investors looking for information are largely hedged in bureaucracy.

Foreign investment houses point out the difficulty in selling shares in bulk due to restrictions which limit the number an investor can acquire in a public offering. Such regulations increase the risk for underwriters.

The restrictions, say foreign investment banks, pose a threat to Tokyo's status as a leading financial centre.

Japanese companies have long raised capital on overseas bond markets as a result of the tightly regulated domestic market. It may not be long before a similar trend develops within global equity markets.

OTHER MARKETS

JOHANNESBURG

Investors will be hoping that last week's falls, following the resignation of the respected finance minister, Mr Derek Keys, will prove transient and the long bull market will resume its upward trend, *writes Mark Suzman.*

After outperforming all other major bourses in the three months to June, Mr Keys' sudden departure pushed the Johannesburg market into reverse.

However, with a competent and reliable successor named, former banker Mr Christo Liebenberg, brokers will be hoping that the focus shifts away from government and back to the anticipated flow of foreign funds to the market following its recent inclusion on some important emerging market indices.

Helping the return to normality will be the announcement of the latest quarterly results from the country's gold industry.

Gold Fields, one of the big mining houses, will be reporting its June quarter results today.

Analysts caution that although the weaker rand will have helped production, its effect will have been offset by work stoppages at major mines over the election period. "Absolutely impossible to gauge," says Mr Bruce Williamson of JD Anderson.

FRANKFURT

Shares in Siemens, the electrical and electronics multinational, were under pressure on Friday ahead of eight-month figures due to be announced today.

At the half-way stage, the group reported a 16 per cent fall in domestic sales, offset by strengthening foreign business which left group net earnings flat.

Karstadt, the retailer, holds its annual shareholders meeting on Wednesday.

Last month, Germany's biggest retailer following the recent purchase of Hertie, reported that group turnover in the first five months of this year soared by 31.7 per cent.

ZURICH

Six-month sales figures could be on the way from Roche late this week or early next, with analysts forecasting group sales, expressed in local currencies, to have risen by 10 to 12 per cent in the first half, after a 12 per cent increase in the first quarter.

Expressed in the relatively strong Swiss franc, first-half sales should have risen by 5 to 6 per cent.

An 18 per cent increase in net profit is forecast for 1994. Last week, Roche certificates tumbled after Mr Andrew Tiverton at James Capel in London downgraded the issue to a hold after five years on the buy list.

MILAN

The market will be hoping to regain some momentum after publication, promised for mid-week, of the long delayed details of the government's budget proposals.

The market also looked fragile towards the end of last week after rumours, subsequently denied, of government splits and ministerial resignations.

Directors of Ciga are expected to bring to an end the battle for control of the hotels group tomorrow by handing over effective control to ITT, the US group which owns the Sheraton hotel chain and which has a direct stake of only 17.4 per cent.

MADRID

Second-quarter results are expected from Banco Popular tomorrow. Hoare Govette views the bank as possibly the most compelling buy case in the European banking sector. By concentrating almost exclusively on domestic retail business which offers the most attractive terms within the banking industry, Popular has avoided diluting its returns by diversifying into lower yielding activities and markets.

Far from rendering it more vulnerable to competitive pressures, this tight focus gives Popular a significant competitive advantage, the broker says.

TOKYO

Investor confidence will largely remain dependent on the strength of the yen against the US dollar, as a higher Japanese currency is seen as a threat to economic recovery and to the competitiveness of the country's exporters, *writes Emiko Terazono.*

Economic data expected this week will provide evidence that the country's recovery remains weak.

In spite of a record low official discount rate, the benefits of low interest rates are barely filtering down to the real economy, since bank lending rates are still high due to the rise in long-term bond yields.

Meanwhile, with most investors sidelined in such an unpromising environment, trading is likely to be dominated by technical activity led by the arbitrageurs.

Even overseas investors, who have been the leading supporters of Japanese shares, are starting to take profits to take advantage of the higher yen.

Foreign investors were net sellers for the second consecutive week during June 27 to July 1 and traders expect the trend to continue as long as the yen maintains its current level against the dollar.

Compiled by Michael Morgan

CONTRACTS & TENDERS

HUNGARY

INVITATION TO TENDER

for building an Air Traffic Services Center

The Air Traffic and Airport Administration of the Ministry of Transport, Communications and Water Management of the Republic of Hungary is announcing a single-round open tender for organisations or enterprises who are capable of designing and building as well as installing the technological equipment of the central building of the Hungarian Air Traffic Services Center under the terms of a Prime Contract. The Republic of Hungary has signed a finance contract with the European Investment Bank (EIB) for the partial financing of the project.

The tender is open, under the same conditions, to all firms (natural persons or corporate bodies) from at least the member countries of the European Union (EU) and Hungary. Detailed Tender Documents will be available on payment of 100.000 HUF from 15 July 1994, between 9.00 am and 1.00 pm on working days, at the address given below.

The documents of the present Invitation to Tender will be available in Hungarian and English copies. Both versions are considered as equivalent in every respect. Each Tenderer will be entitled to receive only one copy in one of the languages for the paid amount.

"LÉGIFORGALMI ÉS REPÜLOTÉRI IGAZGATÓSÁG" (AIR TRAFFIC AND AIRPORT ADMINISTRATION)

Postal address:	H-1675 Budapest-Ferihegy, Pf. 53
Contact person:	Dr. József Farkas, Head of the Investment Department
Telephone No:	(36) 1-157-54-87; Fax No: (36)-1-157-61-81; Telex No: 22-64-78

The payment shall be made to the credit of account No 232-90173-2825, which is administered by the National Bank of Hungary. Payments in cash will also be accepted on the purchase site.

The Bids shall be submitted not later than 12.00 o'clock L.T. 17 October, 1994, at ATAA, Investment Department, Secretariat.

Date of Bid opening:	13.00 L.T. 17 October 1994
Location of Bid opening:	Ferihegy Airport, conference room
Date of Tender assessment:	13.00 L.T. 01 December 1994
Location of Tender assessment:	as above
Start of building:	01 December 1994
End of building:	01 December 1996

Air Traffic and Airport Administration

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 8 / Sch)

BELGIUM/LUXEMBOURG (Jul 8 / Frs.)

DENMARK (Jul 8 / Kr)

FINLAND (Jul 8 / Mks)

FRANCE (Jul 8 / Frs.)

GERMANY (Jul 8 / Dm.)

ITALY (Jul 8 / Lire)

NETHERLANDS (Jul 8 / Fls.)

NORWAY (Jul 8 / Kroner)

SPAIN (Jul 8 / Pts.)

SWEDEN (Jul 8 / Kronor)

SWITZERLAND (Jul 8 / Frs.)

PACIFIC

JAPAN (Jul 8 / Yen)

HONG KONG (Jul 8 / H.K.$)

MALAYSIA (Jul 8 / MYR)

SINGAPORE (Jul 8 / S$)

AUSTRALIA (Jul 8 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Jul 8 / Can $)

4 pm close

MONTREAL (Jul 8 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jul 8 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Friday, July 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Elec	9.8m	694	+2	Sharp Corp	4.5m	1840	−20
Japan Energy	6.5m	478	−9	Takuma Co	3.9m	1960	+40
Hitachi	5.9m	1050	−20	Nippon Oil	3.8m	740	
Mitsubishi Hvy	5.6m	800	−10	Kawasaki Steel	3.4m	407	−4
Mitsubishi Oil	5.5m	1110	+10	Toshiba Corp	3.0m	809	−4

INDICES

US INDICES

Utilities	181.72	180.86	179.08	227.08 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3728.56 (3714.32) Low 3660.90 (3658.04) (Theoretical¶)
Day's high 3709.45 (3694.25) Low 3674.17 (3668.88) (Actual¶)

Standard and Poors							
Composite ‡	449.55	448.38	446.13	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	523.38	521.56	518.51	580.59 (2/3)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.62	44.72	44.85	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	248.11	247.57	246.54	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	425.45	424.65	423.55	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	707.46	706.53	701.01	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Jul 1	Jun 24	Jun 17	Year ago
Dow Jones Ind. Div. Yield	2.79	2.75	2.85	2.96
	Jul 6	Jun 29	Jun 22	Year ago
S & P Ind. Div. yield	2.49	2.49	2.46	2.56
S & P Ind. P/E ratio	22.72	23.10	23.18	24.89

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	449.40	449.90	+0.50	450.80	448.75	50,973	197,425
Dec	449.25	452.40	+0.50	453.30	449.25	147	11,311
Mar	452.00	455.85	+0.65	456.50	451.90	13	2,003

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ford Motor	4,314,400	30¾	+⅛
JC Penney	3,063,900	49	+½
Chrysler	2,800,100	46⅞	-⅛
IBM	2,315,400	56⅝	-⅛
Diagnostek	2,267,000	17⅞	-4⅛
EMC Corp	2,250,700	14⅞	+⅛
Wal-Mart	2,093,500	24⅝	-⅛
Micron	2,003,400	36⅝	-¼
Compaq	1,880,100	33⅝	-½
AutoZone	1,953,600	23⅝	-⅛

TRADING ACTIVITY

● Volume (million)

	Jul 8	Jul 7	Jul 6
New York SE	233.617	258.495	233.582
Amex	11.553	15.816	13.041
NASDAQ	(a)	244.637	241.211
NYSE			
Issues Traded	2,824	2,823	2,811
Rises	962	1,250	1,012
Falls	1,177	835	1,079
Unchanged	685	738	720
New Highs	37	37	28
New Lows	71	90	73

CAC-40 STOCK INDEX FUTURES (MATIF)

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Thornton Unit Managers Ltd (1200)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey Life Assurance Co Ltd

[illegible]

Canada Life Group - Contd.

[illegible]

Family Life Assurance Ltd

[illegible]

Irish Life Assurance Co Plc

[illegible]

M & G Life and M & G Pensions

[illegible]

National Westminster Life Assce Ltd - Contd.

[illegible]

Prudential Corporate Pension Funds

[illegible]

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Scottish Equitable plc - Contd.

Sun Alliance Group - Contd.

CMI Insurance Co Ltd

Scottish Provident Intl Life Ass Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Guinness Flight Fd Mngrs - Contd.

GUERNSEY (REGULATED)(**)

Saudi International (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Baring Mutual Fund Mngmt (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Barclays International Funds - Contd.

JERSEY (REGULATED)(**)

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Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Fleming Group - Contd.

S.G. Warburg Asset Mngmt Lux SA

Global Futures & Options SICAV

Templeton Worldwide Investments

Jardine Fleming Unit Trusts Ltd - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0573	-0.0277	484 - 661	17.1088	16.9879	17.0535	0.3	17.0479	0.2	-	-	115.0
Belgium	(BFr)	50.1100	-0.0678	645 - 554	50.2880	49.9870	50.215	-2.5	50.37	-2.1	50.375	-0.5	116.1
Denmark	(DKr)	9.5332	-0.0117	277 - 388	9.5851	9.5018	9.5402	-0.9	9.5569	-1.0	9.5883	-0.6	116.9
Finland	(FM)	8.0175	-0.0371	105 - 244	8.0820	8.0105	-	-	-	-	-	-	82.1
France	(FFr)	8.3258	-0.011	210 - 305	8.3551	8.3011	8.3307	-0.7	8.3368	-0.6	8.3287	0.0	109.9
Germany	(DM)	2.4241	-0.0005	229 - 252	2.4354	2.4137	2.4245	-0.2	2.4227	0.2	2.4002	1.0	126.7
Greece	(Dr)	369.200	-0.155	939 - 461	367.913	364.979	-	-	-	-	-	-	-
Ireland	(I£)	1.0118	+0.0009	109 - 128	1.0156	1.0087	1.0122	-0.5	1.0129	-0.5	1.0146	-0.3	104.5
Italy	(L)	2408.95	-10.25	547 - 642	2418.57	2405.47	2413.45	-3.2	2427.1	-3.3	2479.85	-3.0	76.6
Luxembourg	(LFr)	50.1100	-0.0678	645 - 554	50.2880	49.9870	50.215	-2.5	50.37	-2.1	50.375	-0.5	116.1
Netherlands	(Fl)	2.7187	-0.0039	171 - 202	2.7305	2.7099	2.7189	-0.1	2.7172	0.2	2.6927	1.0	120.5
Norway	(NKr)	10.6404	-0.0075	346 - 462	10.6734	10.6008	10.6348	0.6	10.6473	-0.3	10.6385	0.0	86.2
Portugal	(Es)	249.749	-0.456	599 - 899	250.412	248.993	250.724	-4.7	252.689	-4.7	-	-	-
Spain	(Pta)	200.556	-0.677	458 - 663	201.539	200.446	201.036	-2.9	202.011	-2.9	205.491	-2.4	85.8
Sweden	(SKr)	11.9872	-0.0741	879 - 065	12.1027	11.9879	12.0202	-2.3	12.0552	-1.9	12.1632	-1.3	73.3
Switzerland	(SFr)	2.0428	-0.0001	414 - 441	2.0495	2.0315	2.0412	0.9	2.0382	0.9	2.0123	1.5	120.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.1
Ecu	-	1.2887	-0.0025	878 - 896	1.2731	1.2864	1.2898	-1.1	1.2855	1.0	1.2728	-0.3	-
SDR†	-	0.942517	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5384	-	358 - 369	1.5411	1.5352	-	-	-	-	-	-	-
Brazil	(R)	1.4180	+0.0182	133 - 187	1.4187	1.3980	-	-	-	-	-	-	-
Canada	(C$)	2.1409	+0.0023	399 - 419	2.1429	2.1363	2.1426	-1.0	2.1478	-1.3	2.1781	-1.7	85.4
Mexico	(New Peso)	5.2329	-0.0029	275 - 383	5.2448	5.2275	-	-	-	-	-	-	-
USA	($)	1.5400	-	395 - 404	1.5448	1.5387	1.5393	0.5	1.5385	0.4	1.5331	0.4	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1070	-0.0047	049 - 090	2.1215	2.1048	2.1063	0.4	2.1047	0.4	2.1037	0.2	-
Hong Kong	(HK$)	11.9009	-0.0006	965 - 051	11.9378	11.8923	11.8928	0.8	11.8869	0.4	11.9169	-0.1	-
India	(Rs)	48.3093	-0.0038	884 - 301	48.4530	48.2770	-	-	-	-	-	-	-
Japan	(Y)	151.801	-0.677	718 - 883	152.810	151.420	151.416	3.0	150.616	3.1	146.111	3.7	191.7
Malaysia	(M$)	3.9988	-0.0006	968 - 007	4.0120	3.9968	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5689	-0.0176	560 - 618	2.5780	2.5580	2.5582	0.3	2.5617	-0.4	2.5883	-0.4	-
Philippines	(Peso)	41.5018	+0.0001	816 - 219	41.8219	41.1816	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7754	-	734 - 773	5.7933	5.7709	-	-	-	-	-	-	-
Singapore	(S$)	2.3415	-	400 - 429	2.3467	2.3400	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6665	+0.0065	638 - 694	5.6810	5.6451	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2994	-0.0385	818 - 169	7.3592	7.2816	-	-	-	-	-	-	-
South Korea	(Won)	1239.89	-0.31	945 - 038	1243.72	1236.96	-	-	-	-	-	-	-
Taiwan	(T$)	41.1621	-0.047	416 - 826	41.2832	41.1371	-	-	-	-	-	-	-
Thailand	(Bt)	38.4834	-0.0154	567 - 100	38.6050	38.4567	-	-	-	-	-	-	-

†SDR rate for Jul 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.0765	-0.018	740 - 790	11.1085	11.0310	11.081	-0.5	11.089	-0.5	11.0265	0.5	104.2
Belgium	(BFr)	32.5400	-0.044	200 - 600	32.6300	32.4800	32.5625	-0.8	32.5975	-0.7	32.63	-0.3	105.2
Denmark	(DKr)	6.1906	-0.0076	888 - 923	6.2076	6.1700	6.1981	-1.5	6.2126	-1.4	6.2506	-1.0	105.4
Finland	(FM)	5.2063	-0.0241	033 - 093	5.2443	5.2051	5.2088	-0.6	5.2138	-0.6	5.2573	-1.0	76.8
France	(FFr)	5.4065	-0.0072	050 - 080	5.4227	5.3987	5.4121	-1.2	5.42	-1.0	5.3826	0.4	105.7
Germany	(D)	1.5741	-0.0004	738 - 744	1.5800	1.5677	1.5746	-0.4	1.5747	-0.2	1.5656	0.5	106.7
Greece	(Dr)	237.800	-0.1	700 - 900	238.750	237.200	239.15	-6.8	240	-3.7	242.3	-1.9	69.4
Ireland	(I£)	1.5220	-0.0014	209 - 230	1.5303	1.5168	1.5207	1.0	1.5188	0.9	1.5090	0.8	-
Italy	(L)	1583.00	-6.66	250 - 350	1570.50	1582.75	1587.95	-3.8	1577.55	-3.7	1617.5	-3.5	76.9
Luxembourg	(LFr)	32.5400	-0.044	200 - 600	32.6300	32.4800	32.5625	-0.8	32.5975	-0.7	32.63	-0.3	105.2
Netherlands	(Fl)	1.7654	-0.0026	649 - 659	1.7719	1.7594	1.766	-0.4	1.7661	-0.2	1.7585	0.5	105.5
Norway	(NKr)	6.9098	-0.0048	078 - 113	6.9285	6.8805	6.9131	-0.6	6.9211	-0.7	6.9981	0.6	98.4
Portugal	(Es)	162.180	-0.295	130 - 230	162.500	161.750	163.48	-9.6	165.66	-8.6	171.93	-6.0	94.1
Spain	(Pta)	130.235	-0.44	210 - 260	130.800	130.180	130.61	-3.5	131.305	-3.3	133.895	-2.9	80.8
Sweden	(SKr)	7.7907	-0.0481	869 - 944	7.8538	7.7865	7.8092	-2.8	7.8472	-2.9	8.0057	-2.8	78.2
Switzerland	(SFr)	1.3265	-0.0001	260 - 270	1.3300	1.3197	1.3262	0.3	1.3248	0.5	1.3127	1.0	106.6
UK	(£)	1.5400	-	395 - 404	1.5448	1.5387	1.5393	0.5	1.5385	0.4	1.5331	0.4	87.4
Ecu	-	1.2136	+0.0029	133 - 143	1.2161	1.2102	1.2122	1.8	1.2096	1.4	1.2232	-0.8	-
SDR†	-	1.45288	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9977	-	976 - 977	0.9980	0.9976	-	-	-	-	-	-	-
Brazil	(R)	0.9195	+0.0105	180 - 210	0.9210	0.9140	-	-	-	-	-	-	-
Canada	(C$)	1.3903	+0.0015	900 - 905	1.3905	1.3869	1.392	-1.5	1.3961	-1.7	1.4194	-2.1	82.0
Mexico	(New Peso)	3.3981	-0.0019	956 - 006	3.4006	3.3950	3.3991	-0.4	3.4003	-0.3	3.4083	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3682	-0.0031	672 - 691	1.3774	1.3661	1.3685	-0.3	1.3687	-0.1	1.3724	-0.3	86.0
Hong Kong	(HK$)	7.7281	-0.0004	276 - 286	7.7290	7.7276	7.7276	0.1	7.7301	-0.1	7.7443	-0.2	-
India	(Rs)	31.3700	-0.0025	650 - 750	31.3750	31.3650	31.45	-3.1	31.595	-2.9	-	-	-
Japan	(Y)	98.5750	-0.44	500 - 000	99.0100	98.3000	98.37	2.5	97.9	2.7	95.315	3.3	151.6
Malaysia	(M$)	2.5987	-0.0005	962 - 972	2.5997	2.5940	2.5892	3.5	2.5857	1.7	2.6167	-0.8	-
New Zealand	(NZ$)	1.6617	-0.0114	603 - 631	1.6720	1.6595	1.6635	-1.3	1.6681	-1.6	1.6898	-1.7	-
Philippines	(Peso)	26.9500	-	500 - 500	27.2000	26.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7505	3.7502	3.751	-0.2	3.753	-0.3	3.7657	-0.4	-
Singapore	(S$)	1.5205	-	200 - 210	1.5210	1.5205	1.5198	0.6	1.5195	0.3	1.5215	-0.1	-
S Africa (Com.)	(R)	3.6798	+0.0043	790 - 805	3.6995	3.6640	3.6953	-5.1	3.7236	-4.8	3.8003	-3.3	-
S Africa (Fin.)	(R)	4.7400	-0.025	300 - 500	4.7750	4.7300	4.7737	-8.5	4.8325	-7.8	-	-	-
South Korea	(Won)	805.150	-0.2	100 - 200	805.700	805.100	808.15	-4.5	811.65	-3.2	830.15	-3.1	-
Taiwan	(T$)	26.7295	-0.0305	240 - 350	26.7560	26.7240	26.7495	-0.9	26.7895	-0.9	-	-	-
Thailand	(Bt)	24.9900	-0.01	800 - 000	25.0000	24.9800	25.0625	-3.5	25.19	-3.2	25.67	-2.7	-

†SDR rate for Jul 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.61	4.837	2.018	4801	5.424	21.23	498.3	400.1	23.93	4.075	1.996	4.271	3.073	302.9	2.530
Denmark	(DKr)	52.58	10	8.733	2.543	1.061	2524	2.851	11.16	261.9	210.3	12.58	2.142	1.049	2.245	1.615	159.2	1.330
France	(FFr)	60.19	11.45	10	2.912	1.214	2890	3.265	12.78	299.9	240.8	14.40	2.453	1.201	2.571	1.850	182.3	1.523
Germany	(DM)	20.67	3.933	3.434	1	0.417	992.6	1.121	4.389	103.0	82.71	4.946	0.842	0.413	0.883	0.635	62.62	0.523
Ireland	(I£)	49.56	9.429	8.234	2.398	1	2380	2.688	10.52	247.0	198.3	11.86	2.020	0.989	2.117	1.523	150.1	1.254
Italy	(L)	2.083	0.396	0.346	0.101	0.042	100.	0.113	0.442	10.38	8.333	0.498	0.085	0.042	0.089	0.064	6.309	0.053
Netherlands	(Fl)	18.44	3.507	3.063	0.892	0.372	885.2	1	3.915	91.87	73.77	4.411	0.751	0.368	0.787	0.567	55.85	0.467
Norway	(NKr)	47.10	8.960	7.824	2.278	0.950	2261	2.555	10	234.7	188.4	11.27	1.919	0.940	2.011	1.447	142.7	1.192
Portugal	(Es)	20.07	3.816	3.334	0.971	0.405	963.5	1.089	4.261	100.	80.30	4.802	0.818	0.400	0.857	0.617	60.79	0.508
Spain	(Pta)	24.99	4.755	4.152	1.209	0.504	1200	1.356	5.307	124.5	100.	5.980	1.018	0.499	1.067	0.768	75.71	0.632
Sweden	(SKr)	41.79	7.951	6.943	2.022	0.843	2007	2.267	8.874	208.3	167.2	10	1.703	0.834	1.785	1.284	126.6	1.058
Switzerland	(SFr)	24.54	4.668	4.077	1.187	0.495	1178	1.331	5.211	122.3	98.19	5.872	1	0.490	1.048	0.754	74.34	0.621
UK	(£)	50.11	9.533	8.325	2.424	1.011	2406	2.718	10.64	249.7	200.5	11.99	2.042	1	2.140	1.540	151.8	1.268
Canada	(C$)	23.42	4.455	3.890	1.133	0.472	1124	1.270	4.972	116.7	93.69	5.603	0.954	0.467	1	0.720	70.93	0.593
US	($)	32.54	6.190	5.406	1.574	0.656	1562	1.765	6.909	162.1	130.2	7.786	1.326	0.649	1.390	1	98.57	0.823
Japan	(Y)	330.1	62.80	54.84	15.97	6.660	15850	17.91	70.09	1645	1321	78.99	13.45	6.588	14.10	10.14	1000.	8.353
Ecu		39.52	7.516	6.565	1.912	0.797	1897	2.144	8.391	196.9	158.1	9.456	1.610	0.789	1.688	1.215	119.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6361	0.6397	+0.0038	0.6413	0.6325	38,170	67,726
Dec	0.6365	0.6405	+0.0039	0.6420	0.6357	96	2,742
Mar	-	0.6419	+0.0040	0.6420	0.6404	2	719

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7555	0.7602	+0.0041	0.7640	0.7516	17,251	47,595
Dec	0.7575	0.7622	+0.0043	0.7640	0.7545	68	1,003
Mar	-	0.7650	+0.0045	0.7655	-	1	10

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0188	1.0242	+0.0063	1.0279	1.0148	23,817	64,891
Dec	1.0247	1.0327	+0.0067	1.0380	1.0228	244	3,925
Mar	1.0383	1.0420	+0.0072	1.0425	1.0385	6	673

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5390	1.5482	+0.0110	1.5510	1.5360	12,929	38,627
Dec	-	1.5472	+0.0112	1.5510	1.5460	34	418
Mar	-	1.5466	+0.0118	1.5450	1.5350	2	146

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.450	9.84	9.73	9.76	-	-	0.13
1.475	7.35	7.37	7.56	-	0.08	0.35
1.500	4.86	5.11	5.54	-	0.28	0.75
1.525	2.63	3.14	3.77	0.08	0.80	1.46
1.550	0.71	1.68	2.39	0.75	1.79	2.52
1.575	0.07	0.77	1.40	2.57	3.30	4.01

Previous day's vol., Calls 121,721 Puts 28,314. Prev. day's open int., Calls 613,771 Puts 525,235

UK INTEREST RATES

LONDON MONEY RATES

Jul 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¼ - 2	4⅞ - 4¾	5⅛ - 4⅞	5¼ - 5⅛	5⅝ - 5½	6⅛ - 6⅜
Sterling CDs	-	-	4⅞ - 4¾	5⅛ - 5⅛	5⅝ - 5⅜	6¼ - 6⅛
Treasury Bills	-	-	4⅞ - 4¾	4⅞ - 4⅞	-	-
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

Certs of Tax dep. (£100,000) [illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

FT GUIDE TO WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York [illegible]

FIXED INTEREST RATES

MONEY RATES

July 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]							
France	[illegible]							
Germany	[illegible]							
Ireland	[illegible]							
Italy	[illegible]							
Netherlands	[illegible]							
Switzerland	[illegible]							
US	[illegible]							
Japan	[illegible]							

■ $ LIBOR FT London Interbank Fixing [illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]						
Dec	[illegible]						
Mar	93.77	93.61	-0.16	93.78	93.58	43,037	307,813

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.22	95.08	-0.14	95.22	95.07	1,159	20,684
Dec	94.56	94.49	-0.16	94.56	94.48	229	9,061
Mar	94.19	94.19	-0.17	94.21	94.16	119	1,589

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday July 6, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,234,325,591	+89,590,216
Bankers deposits	1,526,809,842	-69,833,561
Reserve and other accounts	3,424,893,379	+557,360,828
	6,200,581,812	+577,117,483
Assets		
Government securities	1,022,308,708	-20,485,000
Advance and other accounts	4,725,785,046	+2,058,738,350
Premise, equipment and other secs	446,170,521	-1,455,967,273
Notes	6,150,482	-5,155,538
Coin	167,055	-13,056
	6,200,581,812	+577,117,483
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,023,849,518	+85,155,538
Notes in Banking Department	6,150,482	-5,155,538
	18,030,000,000	+80,000,000
Assets		
Government debt	11,015,100	
Other Government securities	13,527,109,163	-1,695,062,068
Other Securities	4,491,875,737	+1,775,062,068
	18,030,000,000	+80,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	31.5	104	99½	Baillie Gifrd Shn C	101½		-	-	-	-
§40	F.P.-	16.4	46	43	‡Biocure	45		-	-	-	-
105	F.P.	9.70	113	105	Bloomsbury Pb	113		WN2.94	2.7	3.3	11.5
[illegible]											

RIGHTS OFFERS

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	2982.4	2984.4	2946.7	2965.0	2970.4	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3454.6	3454.7	3438.2	3435.8	3430.4	4152.8	3363.4	4152.8	1378.4
FT-SE Mid 250 ex ITs	3459.6	3459.8	3441.5	3438.2	3431.4	4160.7	3362.4	4160.7	1378.3
FT-SE-A 350	1492.0	1493.4	1484.9	1491.7	1493.3	1778.3	1451.3	1778.3	664.5
FT-SE SmallCap	1778.51	1778.00	1777.55	1779.18	1779.79	2094.96	1780.64	2094.98	1363.79
FT-SE SmallCap ex ITs	1753.13	1754.72	1755.37	1757.12	1758.98	2060.72	1753.13	2060.72	1363.79
FT-SE-A All-Share	1482.25	1483.06	1475.19	1481.61	1483.03	1764.11	1445.86	1764.11	61.92

FT GOLD MINES INDEX

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Coutts & Co
440 Strand, London WC2R 0QS 071-753 1000
Coutts Composite Account for clients money
1/2 Lombard Street, London EC3V 9AU 071-623 1010
Rates negotiable up to... 4.625 - - -

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate grossed up to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		$21\frac{1}{4}$	1.9	Q61%	ϕ	Sep May	1.9	–
ANZ A$		$187\frac{1}{4}$	–1.3	Q20c	0.7	Jan Jul	9.12	–
Abbey National	NC	395	–1.2	14.0	2.1	May Oct	14.3	5411
Allied Irish I£	NC	243	3.0	Q62%	2.7	Oct May	28.2	1354
Anglo Irish I£	NC	51xd		Q17.9%	1.7	Jan Jul	6.6	1365
Asahi Y		$780\frac{1}{2}$	0.4	Q14%	ϕ	Jan Dec	12'92	3049
Banco Bil Viz Pta			–.1	Q27.2%	2.7	JlyOcJaAp	13.7	–
Banco Sant Pta				Q9.9%	2.0	MyJyOcJa	30.10	–
Bk Ireland I£		282xd	2.7	Q12.3%	3.2	Jul Dec	16.5	1380
Bank Scotland	NC	178xd	–5.8	5.05	2.4	Dec Jul	16.5	1742
9¼pc Pf		117	0.4	9¼%	–	May Nov	25.4	1482
9¾pc Pf		122	0.4	9¾%	–	May Nov	25.4	1685
Barclays	NC	522	–1.5	15.15	1.5	Oct May	14.3	1704
Dai Ichi Kan Y			–2.6	Q18%	3.2	Jan Dec	27.8	–
Deutsche DM			4.6	Q30%	–	May	5'93	–
Espirito Santo			3.5	Q120c	5.2	Jan	6'93	5187
First Nat Fin	NC	95	–4.4	1.5	–	Mar Aug	17.1	2571
6.3pc Cv Pf		79xd		6.3%	–	Jul Jan	6.6	2578
7pc Cv Pf		132xd	–2.2	7.0	–	Jul Jan	6.6	1486
Fuji Bank Y		$1487\frac{1}{4}$		Q17%	ϕ	Dec Jun	7'93	–
HSBC HK	NC	698	–3.2	23.5	2.4	Nov Jun	14.3	2796
HSBC (75p Shs)	NC	699	–3.3	23.5	2.4	Nov Jun	14.3	2770
Lloyds	NC	532	0.4	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y			–1.7	Q17%	ϕ	Jan Dec	12'92	–
Mits Tst & Bk Y		$1040\frac{1}{4}$	–1.6	Q16%	12.4	Jan Dec	12'92	–
Mitsui Tst & Bk Y		$770\frac{1}{4}$	–3.3	Q17%	5.5	Jan Dec	12'92	–
Nat Aust A$	†	503xd	–2.6	Q58c	1.7	Jul Jan	21.6	–
NatWest	NC	435	–1.4	18.5	2.1	Oct May	28.2	3483
Ottomans FFr		$223\frac{1}{2}$		Q25%	ϕ	May	25.5	–
Ryl Bk Scotland	†NC	410xd	–3.5	12.0	1.9	Feb Jul	16.5	3874
Sakura Y			–.4	Q17%	3.0	Dec Jun	12'92	–
Sanwa Y		$214\frac{1}{2}$	–1.4	Q18%	ϕ	Jan Dec	12'92	–
Standard Chartd	NC	248		6.6	3.2	Jun Oct	28.6	4694
7 3/8pc Pf		92	0.8	7.37	–	Apr	14.2	1719
Sumitomo Y		$213\frac{1}{2}$	–3.5	Q17%	8.7	Jan Dec	12'92	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

SA Brews	£11¼	1.6	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats †	638xd	4.1	Q85c	2.9	Jul Feb	6.6	–
Tongaat-Hulett	648xc	-3.1	Q85c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions; Amey (Bldg & Constn), Aerostructures Hamble (Eng), China Inv & Dev (Inv Co's), London Clubs Intl (Leis & Hotels), Brewin Dolphin (Other Fin), Argent (Prop), Spargo (Support Svs). Deletions: JF Pacific (Reg) Wrts (Inv Co's).

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4 pm close July 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

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NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
57⅞	47⅞	StJoePaper	0.20	0.4	279	138	53⅛	50⅞	53⅛	+2¾
30¼	25⅛	StJosLtP	1.80	7.0	12	213	26	d25⅝	25⅝	-½
45	37¾	StPaul	1.50	3.6	4	2827	41¼	40¾	41⅛	+⅛
8⅝	6	Salant Crp			8	20	6¾	6⅝	6¾	+⅛
49⅞	35⅛	Sallie Mae	1.40	4.0	7	5003	35⅝	d35⅛	35⅜	
13⅞	11⅞	Salomon Br	0.28	2.3		168	12⅜	12¼	12⅜	
52¾	44⅛	Salomon	0.64	1.5	5	7401	44½	d43¾	43⅞	-⅜
28	17½	SnDgGE	1.52	8.2	10	769	18⅝	18½	18½	-⅛
10	7½	SantaFeEPN x	0.16	1.6	10	1830	9¾	9¼	9¾	+¼
15¼	13½	SFeGd				587	13¾	d13½	13½	-¼
40	31½	SantaFePac	2.80	8.1	16	78	34¾	34½	34¾	
26¼	18⅝	SanFeP	0.10	0.5	10	8615	19½	d19⅛	19½	-⅛
28	20⅛	SaraLee	0.64	3.2	13	16006	20⅜	d20⅛	20⅛	-⅛
50⅛	42⅛	Scana Corp	2.82	6.5	11	482	43⅜	42¾	43¼	+⅛
20½	12⅝	Scecrp x	1.00	7.9	8	8372	12¾	d12½	12⅝	
40½	31¼	SchererRP			24	831	32⅝	32¼	32⅝	+⅛
69⅞	54½	SchPl	2.04	3.2	14	3830	63	62½	63	+¼
62⅞	50¾	Schlmb	1.20	1.9	25	5082	62	61¼	61⅞	-⅛
33⅞	24½	Schwab(C)	0.28	1.1	12	2750	25¼	d24½	25⅛	+⅜
10¾	8⅛	Schultzer			22	3	8	8	8	
38⅞	24⅞	SciAtl	0.12	0.4	67	635	33½	32¾	33½	+⅜
16⅞	13	Scotsman x	0.10	0.7	13	210	14	13¾	13⅞	
59¾	37¼	ScottP	0.80	1.5	13	5572	52⅜	51¾	52⅜	+⅛
25⅝	18⅝	ScuddrNAsF	0.21	0.9		50	22⅝	22⅜	22⅝	-⅛
12⅝	9½	ScuddrNEuF	0.16	1.7		135	9⅝	9⅝	9⅝	-⅛

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
10	3⅞	SterlgChem	0.08	0.9	117	1647	9½	9⅜	9⅜	
35⅝	26½	SterlgSoftw			23	1390	29½	29⅛	29⅛	-⅛
10⅞	7⅝	StifelFin	0.12	1.6	4	14	7⅝	d7⅝	7⅝	
33⅞	27¼	Stone&Web x	0.60	1.8	35	97	32⅝	32½	32½	-⅛
18⅞	9⅝	Stone Cont	0.71	4.8	3	2453	15⅜	14¾	14¾	-½
27¾	19¼	Stop Shop			21	319	24½	24⅜	24⅜	-¼
16¾	13⅜	StrEqu	0.84	5.6	16	294	15⅜	15⅛	15⅛	-¼
41¼	25	StrTch			11	15808	35¼	33⅝	35	+1⅜
32	22⅞	Stratus			42	148	29⅝	28¾	29½	+⅞
18⅞	12	StrideRite	0.38	3.0	10	1231	12¾	12⅜	12⅝	+¼
33¼	23⅞	Sturm Rger	1.20	4.1	16	45	29½	29	29	-⅝
4⅛	2½	Suave Shoe	0.30	11.4	0	z100	2⅝	2⅝	2⅝	
10⅞	10¼	Sun Dis A x	1.10	10.2	7	71	10¾	10⅝	10¾	+⅛
6⅛	4	Sun Dis B x	0.24	4.2	5	166	5¾	5⅝	5¾	
7⅞	5⅛	Sun Energy	0.28	5.0	56	95	5⅝	5⅝	5⅝	
44¾	33½	Sunamer	0.40	1.0	14	911	42	41	41½	+½
49⅞	41	Sundstr	1.20	2.5	16	467	47¾	47⅜	47⅝	-⅛
11¼	8	SunshinePf	1.19	14.0		10	8½	8½	8½	
3⅛	1⅝	SunshMI				1312	1¾	d1⅝	1¾	
50½	43⅝	Suntrst	1.28	2.7	13	823	48	47⅝	47⅞	-⅛
14⅝	11¼	Super Food	0.36	3.2	12	89	11½	d11¼	11¼	-¼
48¼	30	Superior x	0.18	0.6	21	915	32¾	31¾	32	-⅛
40⅛	28⅝	Supval	0.94	3.3	11	3534	28⅞	d28¼	28⅞	+¼
20	11⅞	Surg Care	0.16	1.2	16	824	13⅞	13⅝	13⅝	+⅛
23⅞	18	Swiss Helv	0.08	0.4		240	20⅜	20⅛	20¼	-⅛
27⅞	15⅝	Symbol Tec			54	2436	27⅝	25½	27⅛	+1½
10¼	7½	Syms Corp x	0.20	2.5	10	62	8¼	8	8	-⅛
19¼	16¾	Synovus Fn	0.45	2.5	16	321	18⅝	18	18⅛	
23¾	12⅝	Syntex	1.04	4.5	12	4077	23	22⅞	23	
29¼	22⅝	Sysco	0.36	1.6	20	2597	23¾	23¼	23⅝	+¼

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1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
6⅞	5	TCBY Enter	0.20	3.7	21	404	5½	5⅜	5⅜	
35⅝	28½	TCF Financ	1.00	2.9	11	88	35	34¾	34¾	-⅜
9⅝	8⅞	TCW Conv S x	0.84	9.2		148	9⅛	9	9⅛	
49½	34¼	TDK Corp A	0.47	1.0	49	4	48⅝	48¼	48⅜	-⅛
2¼	1½	T I S Mtge	0.20	10.0	1	86	2	1⅞	2	+⅛
29⅞	18⅛	TJX	0.56	2.9	11	10387	19⅛	18¾	19	-⅛
18¾	14½	TNP Enterp	1.63	10.8	14	351	15⅜	15⅛	15⅛	-¼

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
120⅝	100⅛	UnilNV	4.54	4.3	15	1445	105	103⅝	105	+1⅝
50⅞	42¼	UnCamp	1.58	3.4	64	831	46⅜	46	46⅛	-⅛
28⅝	21½	UnCarb	0.75	2.8	27	6555	27⅜	26⅞	27⅛	-⅛
13¼	8¾	Union Corp			14	152	9⅜	9⅛	9⅜	+⅜
54½	45	UnEl 3.50	3.50	7.3		3	48	47	48	
67	56	UnEl 4.50	4.50	7.3		1	62	62	62	
39½	30¾	UnElec	2.38	7.4	11	1318	32½	32¼	32⅜	-⅛
67⅛	55⅜	UnPac	1.60	2.8	16	2865	57¼	56⅝	57⅛	+¼
28⅞	23⅛	UnionPlant	0.84	3.5	9	1028	24⅜	24⅛	24⅛	-⅛
22	16¼	UnionTexas	0.20	1.1	51	1045	18¼	17⅞	18⅛	+⅛
2⅝	¾	UnitdFn			0	188	⅞	[illegible]	⅞	
16½	8⅝	Unisys	2.77	29.9	6	3332	9¼	9⅛	9¼	
3½	2⅝	Unit Corp			22	210	3	2¾	2⅞	
41¾	29¾	UtdAsset x	0.96	2.8	18	131	34¼	34	34	-⅛
15⅞	12¾	UtdDomRty	0.76	5.5	70	1780	14¼	13⅞	14⅛	+⅛
22¾	17⅛	UtdDomInd	0.20	1.2	15	156	17⅜	17¼	17⅜	+⅛
49½	11¾	UtdHlthcre	0.03	0.1	17	6643	45⅜	44½	44¾	-½
40	32⅜	UtdIllum	2.76	8.4	9	201	32⅞	32⅝	32¾	
6⅝	4⅛	UtdIndust	0.28	6.4	4	150	4½	4¼	4⅜	-⅛
13⅞	10¼	UtdKgmFnd x	0.05	0.5		27	10⅜	10¼	10⅜	
½	[illegible]	UtdParkCM			9	40	[illegible]	[illegible]	[illegible]	
15⅝	6⅛	USAir	0.12	1.9	0	2971	6½	6⅜	6⅜	
16⅛	11¾	USF&G	0.20	1.6	13	1838	12⅝	12⅜	12⅜	-¼
23½	18¼	US Filter			34	97	18⅞	18¾	18¾	
29½	14	USHome			2	798	17¾	17⅛	17⅜	-⅜
41⅞	34⅞	USLfCp	1.24	3.4	8	674	36¼	35¾	36	-¼
20	11¾	USShoe	0.32	1.6	55	974	19⅝	19¼	19½	-⅛
32½	15⅞	USSurg	0.06	0.3	7	10774	24⅛	23	23½	-⅛
48¼	38¼	USWest	2.14	5.0	37	4087	42⅝	42⅛	42⅝	+¼
72	58	UtdTec	1.80	2.8	18	2818	64⅝	64¼	64⅜	-⅜
14¾	12⅞	UtdWater	0.92	6.9	12	123	13⅝	13¼	13⅜	-¼
17½	13½	Unitrode			27	76	16⅞	16½	16⅝	-⅛
34⅞	29½	Univ Foods	0.92	2.9	14	66	31¾	31½	31¾	+¼
17¾	15⅞	Univ Hlth	1.66	9.8	11	22	17¼	16⅞	16⅞	+⅛
½	[illegible]	UnivMed L			0	5	¼		¼	
12½	9¾	Univar Crp	0.30	2.9	32	278	10⅝	10	10⅜	+½
28¼	17½	Unival Crp x	0.96	5.0	11	380	19⅝	19	19¼	
30	24½	Unocal x	0.80	2.7	23	13891	u30⅛	29⅜	29¾	+⅛
58	43⅞	UNUM Corp	0.96	2.2	10	7348	44	d43	43⅞	-½
33½	25¾	Upjohn x	1.48	5.1	13	6703	29½	28⅝	29¼	+¼

- X - Y - Z -

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
108⅛	87¾	Xerox	3.00	3.1	42	3094	98⅜	97⅜	98	+½
54½	50	Xerox4.125	4.12	7.6		3	54⅛	54⅛	54⅛	
53¼	40	Xtra Corp	0.56	1.1	22	67	49⅞	49¾	49¾	-⅛
25½	20	Yankee Egy	1.22	5.1	13	25	24⅛	24	24	-¼
40	33⅞	York Int	0.16	0.4	18	675	37	36⅝	36⅞	+⅛
4⅛	1	Zapata x	0.14	3.5		876	u4⅛	4	4	-⅛
13½	7	ZnthEl			3	2531	9¼	9	9¼	+⅛
25½	20⅝	Zenith Nat	1.00	4.3	8	141	23¼	23	23⅛	-⅛
7⅞	6⅝	Zeolx Inc	0.82	11.3		84	7⅜	7¼	7¼	-⅛
16⅛	11⅜	Zero	0.40	3.3	15	411	12⅜	12⅛	12¼	-⅛
28¾	19	Zurn Ind	0.88	4.4	17	375	19⅞	19½	19⅞	-⅛
13⅞	12⅛	Zweig Fund x	1.08	8.8		336	12⅜	12¼	12¼	-⅛
10⅝	9	Zweig Totl x	0.84	9.2		475	9¼	d9	9⅛	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Adv Magn		470	21	14⅛	14⅛	14⅛	-⅛
B&H Ocean	0.65	0	10	3	3	3	
BadgerMtr	0.73	17	20	22⅛	22	22	-⅜
BaldwinT A	0.04	26	821	4½	4[illegible]	4[illegible]	
Barry RG		17	738	u17⅝	17⅛	17¼	-¼
BAT Ind	0.29	12	314	7¼	7⅛	7⅛	
Beard		6	40	1[illegible]	1⅞	1[illegible]	
Blnks Man	0.40	147	20	20⅞	20⅝	20⅝	-½
Bio-Rad A		52	195	18⅝	18	18⅜	-⅜
Blount A	0.50	44	74	40⅛	39⅞	40⅛	+⅛
Bow Valley		107	14	10⅞	10⅞	10⅞	
Bowmar		30	37	3	3	3	
Bowne	0.30	10	333	21½	21⅛	21¼	
Brascan A	1.04	14	235	13¼	13⅛	13¼	
Calprop		2	6	¾	¾	¾	
Cambrex	0.20	12	14	20⅞	20¾	20¾	-⅛
Can Marc	0.28	20	4	11	11	11	-⅛
Chmbrs A	0.01	5	252	2[illegible]	2[illegible]	2[illegible]	-⅛
Chambers		5	22	2[illegible]	2[illegible]	2[illegible]	+⅛
Champion		42	193	28⅞	28¾	28⅞	+¼
Chiles		287	262	5¾	5¾	5¾	
CircPh	0.04	26	820	10⅜	9½	10¼	+⅜
Cmd FdA	0.61		103	5⅜	5¼	5¼	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cominco	0.30	20	52	15⅛	14⅞	15⅛	-⅛
Eastn Co	0.46	15	10	15⅜	15⅜	15⅜	+⅛
Eastgroup	1.72	285	42	20⅞	20½	20¾	
Echo Bay	0.07	341	4143	10⅜	10¼	10¼	-¼
Ecol En A	0.30	9	381	11	10¾	10⅞	+⅜
Edisto Rs		6	91	8	7¾	8	
Elan		16	1138	36	35	35⅞	+⅝
Engy Serv		50	2491	4[illegible]	3[illegible]	4[illegible]	
Epitope		10	695	16½	16	16½	+⅜
Fab Inds	0.64	11	42	33¼	d32⅞	32⅞	-½
Fina A	3.20	17	8	u79¼	78¾	79¼	+1
FstCityBnc	0.20	13	10	10½	10½	10½	
Fluke (J)	0.56	74	70	29⅞	29⅝	29⅝	-⅛
Forest La		26	654	43⅞	43⅝	43¾	-¼
Frequency		2	z100	4[illegible]	4[illegible]	4[illegible]	-⅛
Garan	0.80	7	282	22¾	22¼	22¼	-⅜
Giant FdA	0.72	13	969	20⅛	20	20⅛	
Glatfltr x	0.70	38	310	16¾	16	16⅝	+½
Goldfield		1	44	[illegible]	d[illegible]	[illegible]	
Greenman		34	93	6½	6¼	6½	+¼
Gulf Cda	0.34	25	733	3¾	3⅝	3¾	+[illegible]
HanDir		24	1371	4⅜	4¼	4¼	-⅛
Hasbro	0.28	13	3581	29⅝	29	29⅝	+¼

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Health Ch		4	90	2⅞	2⅞	2⅞	
Kirby Exp		20	376	18	17¾	18	-⅛
KogrEq		73	167	9	8⅝	8⅞	+¼
Laborge		7	140	1⅛	1[illegible]	1[illegible]	-[illegible]
Laser Ind		13	28	5¼	5⅛	5⅛	-⅛
Lee Pharm		5	702	1⅛	d1	1	-[illegible]
Lumex Inc		177	46	10⅝	10⅝	10⅝	
Lynch Cp		8	2	26⅛	26⅛	26⅛	
Maxxam		2	243	38	34	35⅞	+2
Media A	0.44	28	538	27⅞	27½	27¾	+⅛
Merc Co	0.20	6	16	4⅛	4⅛	4⅛	
MilwLd			228	8½	6⅞	8½	-⅛
Moog A		14	16	8⅜	8¼	8⅜	+⅛
MSR Expl		81	30	[illegible]	[illegible]	[illegible]	
Nat Pint		6	975	2⅞	2[illegible]	2[illegible]	-[illegible]
NY TmA	0.56	339	1336	24⅛	23¾	23¾	
NthCanOil	0.20	9	12	7⅝	7½	7½	
NumacE		112	10	5⅝	5⅝	5⅝	-⅛
NVR		12	10	8¾	8¾	8¾	
Odetics A		34	135	u9¾	d9¼	9¾	
Oilgear	0.24	161	669	32⅛	31¾	31⅞	-⅜
Pegasus G	0.40	86	658	15¾	15⅜	15½	-¼

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	44	21	10¾	d10⅝	10⅝	-¼
Sterl El	0.04	13	361	12⅜	12¼	12¼	
TII Ind		21	67	3[illegible]	3⅝	3⅝	
Tab Prods	0.20	52	50	9⅜	9⅜	9⅜	-⅛
Tel&Data	0.38	54	1184	36⅞	36⅜	36½	-⅜
Thermedics		67	595	14⅞	14¾	14⅞	-⅛
Thermoins		30	224	28⅞	28¼	28⅝	
TotPtMA x	0.20	18	886	13⅜	13	13⅛	+⅛
TownCntry		1	167	2⅞	2¾	2¾	-⅛
Triton		1	6	1⅜	1⅜	1⅜	
Tubos Mex		7	36	5⅜	5⅜	5⅜	-⅛
TurnrBrA x	0.07	63	28	17¼	17⅛	17¼	
TurnrBrB x	0.07	1725	1334	17⅜	d17	17¼	
UtdFoodsA		4	2	1[illegible]	1[illegible]	1[illegible]	
UtdFoodsB	0.20	103	7	2[illegible]	2	2[illegible]	
UnivPtnts		25	169	6¾	6⅝	6¾	
US Cellul		83	405	25⅛	d24	24⅛	-¾
ViacomA		12	321	35⅞	34⅝	35¾	+⅞
ViacomB			6183	32	30¼	32	+1¼
Weatherfd		32	1416	13¾	13	13½	+¼
Westamer	0.60	24	313	28¾	28⅜	28½	
WRET	1.12	20	325	14⅛	14	14⅛	-¼
Worthen	0.60	13	131	29⅝	29¼	29⅜	-⅜
Xytronix		3	30	3¾	3[illegible]	3[illegible]	-[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 8

FT GUIDE TO THE WEEK

11 MONDAY

Mid-East peace phase two

Israel and the Palestinian Liberation Organisation, buoyed by the completion of the first phase of their peace process, begin talks in Cairo on the second phase – the extension of Palestinian self-rule from Gaza and Jericho across the West Bank.

Two working groups will meet concurrently. The first will discuss the transfer of power to the Palestinians in the education, health, social welfare, tourism and direct taxation. A second group considers the sensitive issue of Israel's failure to honour its commitment to release up to 6,000 Palestinian prisoners.

Germany presents plans for its six-month presidency of the European Union to finance ministers in Brussels. The agenda includes: a planned deregulation committee to study whether EU and national laws are stifling job-creation; macroeconomic guidelines for progress toward a single currency; and proposals for closer contacts with employment ministers to discuss labour market reform.

Nigeria's plans for democracy:

The country's constitutional conference re-starts in Abuja, after a two-week adjournment to finish fitting out the delegates' accommodation. In the interim, Moshood Abiola (above), the deposed winner of last year's presidential poll, has been arrested and charged with treason, and junior oil workers have gone on strike against military rule. On Tuesday, senior oil staff are due to join them. The strike could spread to other unions. Abiola's appeal for bail comes to court on Thursday.

Osaka District Court is due to rule on an appeal by central government, Kumamoto Prefecture and Chisso Corp, a chemicals group, against a Y2bn ($20m) compensation order awarded to a sufferer from mercury poisoning allegedly caused by Chisso.

Alitalia strike: Staff at the Italian state airline plan a 24-hour strike in protest at restructuring plans aimed at turning round the loss-making national carrier.

Kazakh tax: A conference on creating an investor-friendly taxation system for the oil-rich central Asian republic of Kazakhstan begins at the Confederation of British Industry in London.

World Population Day has been declared by the United Nations, to highlight demographic problems. The UN's approach to family planning has been attacked by the Vatican as "biological colonialism".

12 TUESDAY

Auch Clinton ist Berliner

President Clinton will be treading in the footsteps of John F. Kennedy, with a big set-piece speech in Berlin.

His audience is eagerly awaiting a repetition of President Kennedy's famous grammatical gaffe - "ich bin ein Berliner" - which actually means "I am a (Berlin) doughnut".

If President Clinton corrects the phrase to "ich bin Berliner", it might mean what he wants it to mean.

German troops and the UN: The German constitutional court in Karlsruhe is due to pronounce on the divisive issue of whether German soldiers should in future be allowed to serve on missions outside the Nato area.

The court is expected to announce a qualified yes, with the proviso that all future missions, including blue-helmet exercises for the United Nations, should be individually approved by parliament.

Grim tally at Crédit Lyonnais: The French National Assembly publishes the report of its inquiry into mismanagement at the state-owned Crédit Lyonnais bank which recorded a FFr6.9bn ($1.2bn) loss last year.

According to leaked accounts, the report criticises both the former bank president, Jean-Yves Haberer, for piling up bad loans, including more than FFr40bn in doubtful property loans that have now been hived off into a separate state-backed company, and the French Treasury for not stepping in earlier.

Taiwan aid meeting: The foreign ministers of seven central American countries are meeting in Taipei to discuss development projects in their respective countries, for which Taiwan may consider providing funding or technical assistance.

Hosted by Taiwan's Ministry of Foreign Affairs, this will be the third annual meeting of the Central American Commission, whose members are Nicaragua, Guatemala, El Salvador, Honduras, Belize, Costa Rica and Panama.

All confer diplomatic recognition on Taiwan rather than on the People's Republic. In return, Taipei offers loans for development projects and small and medium-sized businesses and other forms of support.

UK training: Britain's 82 Training and Enterprise Councils hold their annual meeting at Birmingham International Conference Centre (to Thursday).

The councils are responsible for delivering government-funded training programmes and fostering economic development. The guest speaker is Prince Charles.

FT Surveys: France and World Automotive Components.

13 WEDNESDAY

Murder law faces overhaul

The Law Commission, the British government's law reform body, issues a consultation paper about the future of the 16th century "year and a day" rule. Under the rule, an assailant cannot be charged with murder or manslaughter if the victim dies more than a year and a day after the assault. Barbara Mills QC, director of public prosecutions, has called for the rule to be abolished. She disclosed that six people had escaped possible prosecution for murder in recent years as a result of it.

Spanish economy: June's consumer price index, published today, is expected to show a 0.1 per cent fall in headline and underlying inflation to give year-on-year rates of 4.8 per cent and 4.5 per cent respectively. The Bank of Spain, which holds its 10-day repurchase tender of central bank certificates today, is likely to keep its benchmark intervention rate unchanged at 7.5 per cent.

UK economy: A spate of data today will focus attention on the pace of economic recovery.

The figures are expected to show that seasonally adjusted unemployment continued falling in June by some 20,000 a month – although analysts point out that this does not appear to be matched by rises in the employment total.

Meanwhile, May's average earnings data and June's retail price index are expected to indicate that inflationary pressures remain subdued in the economy, in spite of a steady industrial improvement.

An experiment in faith: More than 400 international delegates, comprising world class scientists, philosophers, and theologians, gather for the third annual C.S. Lewis Symposium at Queens' College, Cambridge. Today they will discuss "Ways of Knowing", in the course of a conference to explore the relevance of Christian faith to modern science (until July 23). Simon Barrington Ward, C.S. Lewis' former colleague and chaplain, will attend.

Buxton Festival: The opera festival begins today in the Derbyshire spa town in England's Peak District (to July 31).

FT Survey: Argentina.

Nuclear penalty: will North Korea's substitute adopt an attacking strategy in defiance of President Clinton and the UN?

14 THURSDAY

UK in talks on Falklands oil

British and Argentine negotiators meet in Buenos Aires for two days of talks to seek a formula that would allow development of Falkland Islands offshore oil reserves. Argentina claims the islands and threatens to obstruct the UK's unilateral exploitation of oil reserves. The Falklands' 2,000 inhabitants reject Argentina's participation, fearful that it will use this as a precedent to advance its claims to the islands.

India's public sector employees have called a one-day national strike to protest against privatisation.

UK defence spending: Big cuts in support services are expected to be announced by Malcolm Rifkind, defence secretary. Up to 24,000 jobs may be lost or privatised, with the RAF support service likely to be sharply affected. Several procurement decisions are also due.

French National Day: The annual Bastille Day parade down the Champs-Elysées takes place in Paris. For the first time foreign soldiers, from the four-nation Eurocorps, have been invited to take part, among them 190 regular German troops.

Golf: The 123rd Open Championship begins at Turnberry, near Ayr, Scotland (to July 17).

FT Survey: Merseyside.

Holidays: France (Bastille Day).

15 FRIDAY

Delors' successor sought

German chancellor Helmut Kohl has called a summit of European Union heads of government to find a successor to Jacques Delors as president of the Commission. The decision follows the vetoing of Belgian prime minister Jean-Luc Dehaene by British prime minister John Major.

The German cabinet is supposed to approve the draft budget for 1995, with spending control and likely further restrictions on unemployment benefits, in an effort to keep the federal government borrowing requirement below DM70bn ($46bn) a year. Mr Theo Waigel, finance minister, will spend all week negotiating final reductions.

Middle Europe redivivus: Prime ministers and foreign ministers of the Central European Initiative, which is composed of 10 nations from the territory of the former Habsburg Empire, begin a two-day meeting in Trieste, the old Empire's main port.

UK infrastructure: The A14 trunk road between the A1 and the M1, the only east-west link south of the M62 built to motorway standard, opens officially. The road improves travel between east-coast ports and the Midlands and the north of England.

London Proms: The 100th series of Henry Wood Promenade Concerts begins at the Albert Hall in London (to September 10).

Holidays: France.

16-17 WEEKEND

Korean summit nears

Japan's new prime minister Tomiichi Murayama may visit South Korea on Saturday in order to hold talks with President Kim Young-sam, in advance of the inter-Korean summit. The summit, scheduled to take place in the northern capital Pyongyang on July 25, may be affected by the recent death of North Korea's Communist leader Kim Il Sung.

In Taipei, polls to choose provincial local government for Taiwan/Fujian open on Saturday.

Colombo votes: The ruling United National Party begins its election campaign with a public rally in the central Kandy hills of Sri Lanka.

Mid-East shuttle: Warren Christopher, US Secretary of State, begins his third Middle East shuttle this year on Sunday. The intention is to revive the stalled peace talks between Israel and Syria about the giving up of the Israeli-occupied Golan Heights in return for full peace.

Mr Christopher's visit comes in the wake of warnings by Israeli leaders that the next three months represent a "make-or break" period for a peace agreement with Damascus.

Football: The final of the World Cup is played in Los Angeles on Sunday.

Edited by Patrick Stiles and Martin Mulligan. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: As markets digest the implications of the G7 policy meeting last weekend, a spate of inflation data will be issued this week. In the UK, the June producer price index will be scrutinised for any sign that rising commodity prices and industrial growth are raising prices. Input prices are expected to increase slightly on the month, but to remain below last year's levels.

In Germany, May's retail sales data, issued early this week, may point to a small annual improvement in spending, but consumer confidence remains fragile.

Tuesday: With the markets now predicting that the US will be at the forefront of any pick-up in world inflation, June's consumer price index will be watched with interest. It is expected to to show a small monthly rise.

Friday: June wholesale prices indices for Japan and Germany are due at the end of the week. The German index may have risen slightly on the month; the Japanese one is expected to be flat. May's industrial production data are likely to provide further indication that the sharp downturn in Japanese manufacturing last year is now bottoming out.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Monday	France	June consumer prices indx prelim*	0.1%	0.2%
July 11	France	June consumer prices indx prelim**	1.9%	1.7%
	UK	June prod prices indx, input*	0.8%	0.9%
	UK	June prod prices indx, input**	-0.3%	-0.1%
	UK	June prod prices indx, output*	0.2%	0.0%
	UK	June prod prices indx, output**	2.1%	2%
	UK	Ditto, ex food, drink & tobacco**	2%	2%
	Canada	June housing starts, units*	162,800	157,000
	Canada	May motor vehicle sales**	2.1%	-4%
Tues	US	June producer prices indx	0.3%	-0.1%
July 12	US	Ditto, ex food & energy	0.2%	0.4%
	US	June Atlanta Fed indx	-	14.8%
	US	Johnson Redbook, w/e July 9	-	3.5%
	US	June consumer prices indx	0.3%	0.2%
	US	Ditto, ex food, drink & tobacco	0.3%	0.3%
	Japan	May machine orders, ex ships etc*	-	-2.5%
	Japan	May machine orders, ex ships etc**	-	-14.2%
	N'lands	May producer prices indx**	-	-0.3%
Wed	France	Apr current a/c†	FFr3.75bn	FFr3.3bn
July 13	UK	June retail price indx*	0.1%	0.3%
	UK	June retail price indx**	2.7%	2.6%
	UK	Ditto, ex mortgage int payments	2.6%	2.5%
	UK	June unemployment rate	-20,000	-20,100
	UK	May average earnings	3.75%	3.75%
	UK	May unit wages, 3 monthly**	1.9%	1.9%
Thur	US	June retail sales	0.6%	-0.2%
Jul 14	US	Ditto, ex autos	0.8%	0.3%
	US	Initial claims, July 9	337,000	332,000
	US	State benefits, July 2	-	2.75m
	US	M2, w/e July 4	$2.3bn	$1.7bn
	US	Monthly M2	-$8.8bn	$1.2bn
	Sweden	June consumer price indx**	2.6%	2.3%
Frid	US	June industrial production	0.4%	0.2%
July 15	US	June capacity utilisation	83.7%	83.5%
	US	May business inventories	0.6%	0.2%
	US	June bank credit	-	2.1%
	Japan	May industrial production†	-	-1.9%
	Japan	May shipments†	-	-2.1%
	Canada	June consumer prices indx**, not†	0.0%	-0.2%
	Canada	Ditto, ex food & energy, not†	0.2%	-0.1%
During this week...				
	Japan	June wholesale price indx*	-	0.1%
	Japan	June wholesale price indx**	-	-2.3%
	Germany	May retail sales, west**	0.3%	-10%
	Germany	Ditto, pan Germany**	0.0%	-10%
	Germany	June wholesale price indx*	0.3%	0.5%
	France	May M3*	0.3%	0.5%
	Italy	May industrial production**, not†	1.3%	-1%
	Italy	1st qtr gross domestic product**	1.2%	0.3%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

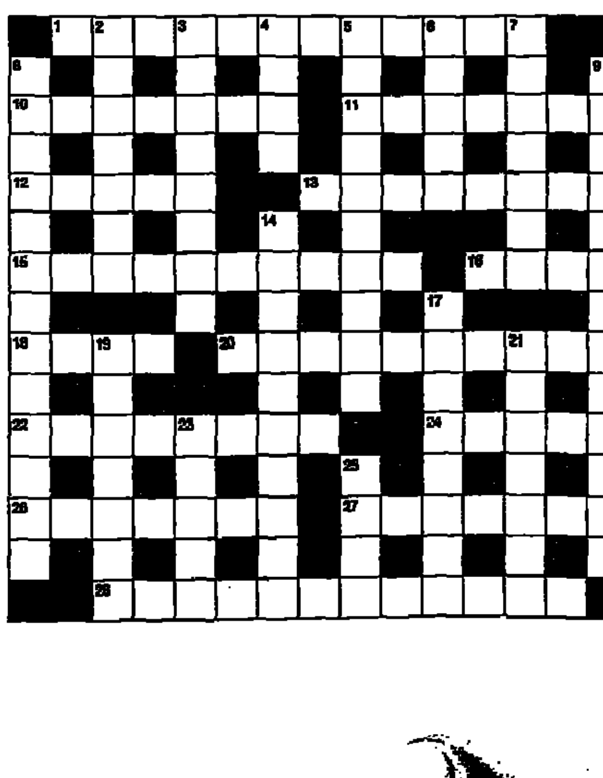
No.8,502 Set by GRIFFIN

ACROSS

1 Dawn washed up, a significant development! (12)
10 Companion that is smart above all (7)
11 Arrests retired man as in trouble (7)
12 Cat previously put outside, you said (5)
13 Taking Peter to a new musical performance (8)
15 Doctor at No 1 backs remedy (10)
16 Hero left after bride's reply (4)
18 Arrears on divan brought back last night (4)
20 Bargains mere agents sorted out (10)
22 Shift a bed around for the renegade (8)
24 Language of love in one lacking brilliance (5)
26 It involves folding paper for a giro I'm preparing (7)
27 Managed to continue to find capital (7)
28 Turning red, gent's then given braces? (12)

DOWN

2 Were supreme soldiers ignored or overlooked? (7)
3 Capone forces criminal out of doors (8)
4 Plays from Tolstoy superbly produced (4)
5 Communist, not married, employed and transferred elsewhere (10)
6 Say something extreme (5)
7 Man's man holds ball raised aloft (7)
8 Quarters loan (13)
9 Prove to me conservationists wanted business (13)
14 For men only race standing still! (10)
17 Good French members came round providing atmosphere (8)
19 Puts down sound fruit (7)
21 Offensive order one is bothered about (7)
23 Look under church pew (5)
25 Irritate fellow and return without vase (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 21, marked Monday Crossword 8,502 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 25.

Name...

Address...

Winners 8,490

Gillian Malcolm, Chiswick
S. Armitage, Birmingham
Mark Cantley, Brussels
G.P. French, Ontario
T.L. Richardson, London, S.W. 1
Barry Roe, Leicester

Solution 8,490